

Leon County, Florida



Annual Financial Report *For The Fiscal Year Ended September 30, 2014*

Prepared by the
Department of Finance

Leon County, Florida
Annual Financial Report

Year ended September 30, 2014

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Annual Financial Report

Year ended September 30, 2014

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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, 2014, 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 an 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, 2014, 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 Reports

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Leon County as of and for the year ended September 30, 2014, and have issued our report thereon dated March 10, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements, and other matters under the heading Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Special-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*. 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* in considering the County's internal control over financial reporting and compliance.

The accompanying introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Thomas Howell Ferguson P.A.



Tallahassee, Florida
March 10, 2015

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



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, 2014. 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 xviii), 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 \$303.5 million as compared to \$325.7 million a year ago; this is a decrease of \$22.2 million. Net investment in capital assets increased this year. This is because the County continues to reduce debt, causing an increase, but combined with a contribution from the City of Tallahassee for the Public Safety Complex; the net effect is a decrease 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, 2014 and 2013, 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 166,291	\$ 177,360	\$ 17,180	\$ 16,691	\$ 183,471	\$ 195,146
Capital assets	348,028	338,609	12,661	13,483	360,689	352,092
Total assets	514,319	515,969	29,841	30,174	544,160	547,238
Deferred outflows	686	0	0	0	686	0
Total assets and deferred outflows	515,005	515,969	29,841	30,174	544,846	546,143
Current liabilities	36,576	31,640	(45)	(207)	36,531	31,433
Noncurrent liabilities	70,058	79,534	12,018	11,721	82,076	91,255
Total liabilities	106,634	111,174	11,973	11,514	118,607	122,688
Net position:						
Net investment in capital assets	290,842	312,200	12,661	13,483	303,503	325,683
Unrestricted	117,529	92,595	5,206	5,177	122,735	98,868
*Total net position	\$ 408,371	\$ 404,795	\$ 17,867	\$ 18,660	\$ 426,238	\$ 424,551

**Differences due to rounding*

Condensed Statement of Activities

Table 3 on page 7 presents the County's condensed Statement of Activities for the fiscal years ended September 30, 2014 and 2013, 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 increased by \$3.576 million, or 0.9 percent, and the net position of the business-type activities decreased by \$0.793 million, or 4.2 percent. These are planned reductions in appropriated expenditures by the Board of County Commissioners for business-type activities. The increase in the governmental activities is due to the contribution from the City of Tallahassee of the assets for the Public Safety Complex. Funding has only been increased in areas of critical need, such as the Public Safety Complex.

The County just completed its eleventh 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 \$6.3 million in FY 2013 versus \$5.7 million in FY 2014. 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 two 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 eleventh full year of the tax, with revenues in the amount of \$3.6 million in FY 2014 and \$3.6 million FY 2013. 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 14 increased by 2%, 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 \$918 thousand for a total income of \$1,224 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 2013 to 2014
	2014	2013	2014	2013	2014	2013	
Revenues							
Program Revenues:							
Charges for services	\$ 38,198	\$ 34,521	\$ 7,299	\$ 7,393	\$ 45,497	\$ 41,914	9 %
Operating grants & contributions	4,307	10,964	0	0	4,307	10,964	(61)%
Capital grants & contributions	2,208	6,298	0	0	2,208	6,298	(65)%
Total Program Revenues	<u>44,713</u>	<u>51,783</u>	<u>7,299</u>	<u>7,393</u>	<u>52,012</u>	<u>59,176</u>	<u>(12)%</u>
General Revenues:							
Property taxes	117,216	115,113	0	0	117,216	115,113	2 %
Local option taxes	13,984	11,334	0	0	13,984	11,334	23 %
Franchise taxes	1	423	0	0	1	423	(100)%
Communications services taxes	3,646	3,542	0	0	3,646	3,542	3 %
Motor fuel taxes	1,406	1,334	0	0	1,406	1,334	5 %
Utility services taxes	5,748	6,310	0	0	5,748	6,310	(9)%
Other taxes	0	0	1,703	1,469	1,703	1,469	16 %
State shared revenues	21,760	21,058	0	0	21,760	21,058	3 %
Investment earnings	1,051	345	173	(39)	1,224	306	300 %
Miscellaneous revenues	3,062	3,192	16	131	3,078	3,323	(7)%
Total General Revenues	<u>167,874</u>	<u>162,651</u>	<u>1,892</u>	<u>1,561</u>	<u>169,766</u>	<u>164,212</u>	<u>3 %</u>
Total Revenues	<u>212,587</u>	<u>214,434</u>	<u>9,191</u>	<u>8,954</u>	<u>221,778</u>	<u>223,388</u>	<u>(1)%</u>
Program Expenses							
General government	41,084	35,523	0	0	41,084	35,523	16 %
Public safety	72,680	93,835	0	0	72,680	93,839	(23)%
Physical environment	19,922	13,718	10,866	10,412	30,788	24,130	28 %
Transportation	28,087	27,691	0	0	28,087	27,691	1 %
Economic environment	5,005	5,495	0	0	5,005	5,495	(9)%
Human services	8,864	9,655	0	0	8,864	9,655	(8)%
Culture and recreation	15,160	12,977	0	0	15,160	12,977	17 %
Judicial	14,853	15,691	0	0	14,853	15,691	(5)%
Interest on long-term debt	2,473	3,603	0	0	2,473	3,603	(31)%
*Total Program Expenses	<u>208,128</u>	<u>218,188</u>	<u>10,866</u>	<u>10,412</u>	<u>218,994</u>	<u>228,604</u>	<u>(4)%</u>
Excess (deficiency) before transfers (net)	4,459	(3,758)	(1,675)	(1,458)	2,784	(5,216)	(153)%
Transfers	(881)	(660)	881	660	0	0	0 %
Change In Net Position	<u>3,578</u>	<u>(4,418)</u>	<u>(794)</u>	<u>(798)</u>	<u>2,784</u>	<u>(5,216)</u>	<u>(153)%</u>
Beginning net position	404,795	409,209	18,660	19,458	423,455	429,768	(1)%
*Ending net position	<u>\$ 408,373</u>	<u>\$ 404,795</u>	<u>\$ 17,866</u>	<u>\$ 18,660</u>	<u>\$ 426,239</u>	<u>\$ 424,552</u>	<u>0 %</u>

**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 21 percent from fiscal year 2013 to fiscal year 2014.

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	
	2014	2014	2014	2013	2014
General government	\$ 41,084	\$ 7,801	\$ 33,283	\$ 26,420	19 %
Public safety	72,680	22,806	49,874	69,594	31 %
Physical environment	19,922	2,842	17,080	6,749	14 %
Transportation	28,087	1,819	26,268	27,110	6 %
Economic environment	5,005	109	4,896	5,335	2 %
Human services	8,864	31	8,833	9,372	0 %
Culture and recreation	15,160	257	14,903	12,736	2 %
Judicial	14,853	9,048	5,805	5,489	61 %
Interest on long-term debt	2,473	0	2,473	3,603	N/A
*Total governmental activities	<u>\$ 208,128</u>	<u>\$ 44,713</u>	<u>\$ 163,415</u>	<u>\$ 166,408</u>	<u>21 %</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 2014, because in FY 2014 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 costs to operate the rural waste collection centers. 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	
	2014	2014	2014	2013	2014	2013
Landfill	\$10,866	\$7,299	\$3,567	\$3,019	67%	71%

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 2014 by \$408,371,133, as compared to \$404,795,134 for fiscal year 2013, for governmental activities. The assets for business-type activities exceeded its liabilities (net position) at the close of fiscal year 2014 by \$17,866,953 as compared to \$18,659,798 for fiscal year 2013. Please see the Statement of Activities discussed previously for an explanation of the differences above.
- The County's total net position increased by \$2,783,154 during fiscal year 2014, as compared to a \$5,217,775 decrease in fiscal year 2013. The net position of governmental activities increased by \$3,575,999 in fiscal year 2014, as compared to a decrease of \$4,419,682 in 2013. The net position of business-type activities decreased by \$792,845 in 2014, as compared to a decrease of \$798,093 in 2013. This variance for governmental activities is effected by a contribution by the City of Tallahassee for the Public Safety Complex.

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 \$139,133,193 for fiscal year 2014, as compared to \$149,218,632 for fiscal year 2013. This reduction is planned appropriated expenditures using Fund Balance in primarily the Capital Improvement Fund and the Local Option Sales Tax Fund. These appropriations allow the Board to maintain existing infrastructure over the next five years.

General Fund

Fund balance at September 30, 2014 has decreased to a total of \$39,763,787, as compared to \$44,005,713 for September 30, 2013. The \$4,241,926 decrease is attributable to a planned appropriation by the Board to fund recurring operating expenditures for 2014. The utilization of the fund balance leaves the General Fund reserves within policy limits and allows the County to maintain the same property millage rates for 2014.

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 fund. 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 \$38,154,281 for FY 2014 versus \$32,260,401 for FY 2013. The Non-Countywide fund balance is \$2,150,617 for FY 2014, versus \$5,833,543 for FY 2013.

Fine & Forfeiture Fund

Fund balance at September 30, 2014 totaled \$3,183,316, as compared to \$1,072,058 for September 30, 2013. This is a increase of \$2,111,258 for the fiscal year and relates to a larger than expected return of excess fees from the Sheriff's office.

Grants Fund

The fund balance at September 30, 2014 totaled \$1,557,911, as compared to the September 30, 2013 balance of \$1,735,670. This was a small decrease of \$177,759. Grant expenditures were completely offset by grant revenues plus the County transfers required for matching requirements.

Fire Rescue Services Fund

The Fire Rescue Services Fund accounts for the contractual services with the City of Tallahassee to provide fire services in the unincorporated area. Revenues are collected through a fire services fee charged to all unincorporated properties. The fees were developed by a consultant that determined the costs for providing fire services to the different types of properties. This is the third year that this fund is considered a major fund. The net change in fund balance is a increase of \$276,750 with fund balance in FY 2014 at \$861,254 from a fund balance in FY 2013 of \$584,504.

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 a decrease of \$930,670 with fund balance in September 30, 2014 at \$260,427 from a fund balance in September 30, 2013 of \$1,191,097. The decrease is due to a transfer to the Capital Improvement Fund for paving roads in the current year.

Capital Improvement Fund

Fund balance at September 30, 2014 totaled \$25,925,959, as compared to \$30,149,460 for September 30, 2013. This was a decrease of \$4,223,501. 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 completion of the Public Safety Complex.

Enterprise Funds

The County's proprietary funds reported net position of \$17,866,953 for September 30, 2014, as compared to \$18,659,798 for September 30, 2013, which is a decrease of \$792,845. 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 \$348,027,835 in capital assets for governmental activities and \$12,660,572 in capital assets for business-type activities at September 30, 2014, versus \$338,609,349 for governmental and \$13,483,271 for business-type activities at September 30, 2013. 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. A major project was completed and recorded in 2014. The Public Safety Complex combined the 911 services for both the County and the City of Tallahassee.

Debt Administration Activity

At September 30, 2014, the County had \$57,186,000 of outstanding bonded debt, as compared to \$62,519,000 at September 30, 2013. 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

Economic activity continues to rebound from the recession.

- The estimated population in Leon County increased 1% from 278,377 to 281,292 during FY 2013/2014.
- Leon County's unemployment rate decreased to 5.5% in FY 2014.
- Building permits and plan reviews issued in Leon County increased by 10 percent in FY 2014. Building permits increased from 2,788 permits issued in FY 2013 to 3,530 in FY 2014. Plan reviews also increased from 9,678 in FY 2013 to 10,230 in FY 2014.
- Beginning January 1, 2015, Florida's minimum wage rate increased from \$7.93 per hour to \$8.05 per hour.

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 & Comptroller, Finance Department Leon County, 301 S. Monroe Street, Room #100, Tallahassee, Florida 32301. 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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Assets				
Current assets:				
Cash	\$ 38,337,619	\$ 1,565	\$ 38,339,184	\$ 650,634
Investments	115,085,551	8,420,262	123,505,813	0
Receivables	7,931,309	1,108,485	9,039,794	853
Receivables from other governments	4,202,640	83,608	4,286,248	0
Inventory	683,060	6,510	689,570	0
Other assets	50,657	0	50,657	0
Total current assets	<u>166,290,836</u>	<u>9,620,430</u>	<u>175,911,266</u>	<u>651,487</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	0	7,559,237	7,559,237	0
Capital assets:				
Land and construction in progress, nondepreciable	77,491,408	1,809,844	79,301,252	0
Depreciable (net)	270,536,427	10,850,728	281,387,155	0
Total noncurrent assets	<u>348,027,835</u>	<u>20,219,809</u>	<u>368,247,644</u>	<u>0</u>
Total assets	<u>514,318,671</u>	<u>29,840,239</u>	<u>544,158,910</u>	<u>651,487</u>
Deferred outflows				
Deferred outflow of resources	686,250	0	686,250	0
Total deferred outflows	<u>686,250</u>	<u>0</u>	<u>686,250</u>	<u>0</u>
Total assets and deferred outflows	<u>515,004,921</u>	<u>29,840,239</u>	<u>544,845,160</u>	<u>0</u>
Liabilities				
Current liabilities:				
Accounts payable	10,060,886	350,740	10,411,626	1,070
Payable to other governments	2,598,348	0	2,598,348	0
Internal balances	448,711	(448,711)	0	0
Accrued compensated absences	4,708,739	53,137	4,761,876	0
Unearned revenues	8,467,734	295	8,468,029	0
Bonds and notes payable	6,973,605	0	6,973,605	0
Unamortized premium on bonds payable	521,292	0	521,292	0
Other current liabilities	2,796,572	0	2,796,572	0
Total current liabilities	<u>36,575,887</u>	<u>(44,539)</u>	<u>36,531,348</u>	<u>1,070</u>
Noncurrent liabilities:				
Deposits	667,167	0	667,167	0
Estimated liability for landfill closure and postclosure care costs	0	11,759,283	11,759,283	0
Arbitrage rebate liability	25,000	0	25,000	0
Accrued compensated absences	11,337,255	126,919	11,464,174	0
Other postemployment benefits obligation	6,120,291	131,623	6,251,914	0
Bonds and notes payable	51,908,188	0	51,908,188	0
Total noncurrent liabilities	<u>70,057,901</u>	<u>12,017,825</u>	<u>82,075,726</u>	<u>0</u>
Total liabilities	<u>106,633,788</u>	<u>11,973,286</u>	<u>118,607,074</u>	<u>1,070</u>
Net position				
Net investment in capital assets	290,841,835	12,660,572	303,502,407	0
Unrestricted	117,529,298	5,206,381	122,735,679	650,417
Total net position	<u>\$ 408,371,133</u>	<u>\$ 17,866,953</u>	<u>\$ 426,238,086</u>	<u>\$ 650,417</u>

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

Leon County, Florida

Statement of Activities

Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operational Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 41,083,998	\$ 6,570,014	\$ 1,230,677	\$ 0
Public safety	72,680,097	21,406,960	1,113,744	285,141
Physical environment	19,921,878	1,167,134	792,198	882,262
Transportation	28,087,289	616,296	175,645	1,027,305
Economic environment	5,005,006	81,649	27,794	0
Human services	8,863,922	0	30,842	0
Culture and recreation	15,159,875	231,474	12,174	13,119
Judicial	14,852,949	8,124,182	923,823	0
Interest on long-term debt	2,473,494	0	0	0
Total governmental activities	<u>208,128,508</u>	<u>38,197,709</u>	<u>4,306,897</u>	<u>2,207,827</u>
Business-type activities:				
Landfill	10,865,511	7,299,028	0	0
Total business-type activities	<u>10,865,511</u>	<u>7,299,028</u>	<u>-</u>	<u>0</u>
Total primary government	<u>\$ 218,994,019</u>	<u>\$ 45,496,737</u>	<u>\$ 4,306,897</u>	<u>\$ 2,207,827</u>
Component Unit:				
Economic environment	136,892	44,971	0	0
Total component unit	<u>\$ 136,892</u>	<u>\$ 44,971</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, as restated
- 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
\$ (33,283,307)	\$ 0	\$ (33,283,307)	\$ 0
(49,874,252)	0	(49,874,252)	0
(17,080,284)	0	(17,080,284)	0
(26,268,043)	0	(26,268,043)	0
(4,895,563)	0	(4,895,563)	0
(8,833,080)	0	(8,833,080)	0
(14,903,108)	0	(14,903,108)	0
(5,804,944)	0	(5,804,944)	0
(2,473,494)	0	(2,473,494)	0
<u>(163,416,075)</u>	<u>0</u>	<u>(163,416,075)</u>	<u>0</u>
<u>0</u>	<u>(3,566,483)</u>	<u>(3,566,483)</u>	<u>0</u>
<u>0</u>	<u>(3,566,483)</u>	<u>(3,566,483)</u>	<u>0</u>
<u>(163,416,075)</u>	<u>(3,566,483)</u>	<u>(166,982,558)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(91,921)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(91,921)</u>
117,216,221	0	117,216,221	0
13,983,539	0	13,983,539	0
738	0	738	0
3,645,653	0	3,645,653	0
1,406,321	0	1,406,321	0
5,748,142	0	5,748,142	0
0	1,703,344	1,703,344	0
21,759,803	0	21,759,803	0
1,050,726	172,737	1,223,463	3,819
3,062,101	16,387	3,078,488	0
(881,170)	881,170	0	0
<u>166,992,074</u>	<u>2,773,638</u>	<u>169,765,712</u>	<u>3,819</u>
3,575,999	(792,845)	2,783,154	(88,102)
404,795,134	18,659,798	423,454,932	738,519
<u>\$ 408,371,133</u>	<u>\$ 17,866,953</u>	<u>\$ 426,238,086</u>	<u>\$ 650,417</u>

Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2014

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Assets				
Cash	\$ 16,619,125	\$ 12,106	\$ 107,960	\$ 559
Investments	30,643,388	1,359,555	6,668,391	2,496,759
Receivables:				
Accounts	135,917	2,303	44,399	2,438
Intergovernmental	1,494,446	1,307	858,200	0
Special assessments	0	0	0	0
Due from other funds	555,049	2,169,607	0	0
Inventory	596,012	0	0	0
Other assets	16,087	0	0	0
Total assets	<u>\$ 50,060,024</u>	<u>\$ 3,544,878</u>	<u>\$ 7,678,950</u>	<u>\$ 2,499,756</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 3,676,512	\$ 29,183	\$ 163,588	\$ 604
Accrued liabilities	3,586,108	0	3,296	0
Intergovernmental payables	181,996	0	193	1,637,898
Due to other funds	2,785,207	0	0	0
Deposits	66,414	332,379	0	0
Unearned revenues	0	0	5,953,962	0
Total liabilities	<u>10,296,237</u>	<u>361,562</u>	<u>6,121,039</u>	<u>1,638,502</u>
Fund balances:				
Nonspendable	612,099	0	0	0
Restricted	0	0	1,557,911	0
Committed	5,964,568	477,497	0	861,254
Assigned	7,871,118	2,705,819	0	0
Unassigned	25,316,002	0	0	0
Total fund balances	<u>39,763,787</u>	<u>3,183,316</u>	<u>1,557,911</u>	<u>861,254</u>
Total liabilities and fund balances	<u>\$ 50,060,024</u>	<u>\$ 3,544,878</u>	<u>\$ 7,678,950</u>	<u>\$ 2,499,756</u>

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

<u>Special Assessment Paving Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 227,807 0	\$ 13,085,249 13,304,054	\$ 7,548,705 56,095,672	\$ 37,601,511 110,567,819
32,620	533,807	4,984,249	5,735,733
0	0	1,831,119	4,185,072
1,974,722	0	0	1,974,722
0	0	622,846	3,347,502
0	0	1,933	597,945
0	0	34,570	50,657
<u>\$ 2,235,149</u>	<u>\$ 26,923,110</u>	<u>\$ 71,119,094</u>	<u>\$ 164,060,961</u>
\$ 0 0 0 0 0	\$ 847,226 0 0 0 149,925	\$ 1,133,534 434,826 778,261 534,435 118,449	\$ 5,850,647 4,024,230 2,598,348 3,319,642 667,167
<u>1,974,722</u>	<u>0</u>	<u>539,050</u>	<u>8,467,734</u>
<u>1,974,722</u>	<u>997,151</u>	<u>3,538,555</u>	<u>24,927,768</u>
0 0 260,427 0 0	0 25,925,959 0 0 0	36,503 47,972,156 18,632,802 982,620 (43,542)	648,602 75,456,026 26,196,548 11,559,557 25,272,460
<u>260,427</u>	<u>25,925,959</u>	<u>67,580,539</u>	<u>139,133,193</u>
<u>\$ 2,235,149</u>	<u>\$ 26,923,110</u>	<u>\$ 71,119,094</u>	<u>\$ 164,060,961</u>

Leon County, Florida

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

September 30, 2014

Total fund balances of governmental funds \$ 139,133,193

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	665,801,631	
Less accumulated depreciation	<u>(317,773,796)</u>	348,027,835

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	(58,881,793)	
Discount/(Premium)	(568,682)	
Current year amortization	47,390	
Deferral outflow of difference in carrying value between old and new debt	915,000	
Current year amortization	(228,750)	
Compensated absences net of internal service amount	(15,427,980)	
Other postemployment benefits net of internal service amount	(6,120,291)	
Arbitrage rebate liability	<u>(25,000)</u>	(80,290,106)

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.

1,500,211

Total net position of governmental activities	<u>\$ 408,371,133</u>
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The accompanying notes are an integral part of these financial statements.

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Leon County, Florida

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

Year Ended September 30, 2014

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Revenues				
Taxes	\$ 44,667,067	\$ 66,436,317	\$ 0	\$ 0
Licenses and permits	0	0	0	0
Intergovernmental	18,085,794	17,038	3,007,716	0
Charges for services	7,343,827	852,658	139,060	7,188,001
Fines and forfeitures	0	110,047	0	0
Interest	375,240	68,405	10,656	11,583
Net increase (decrease) in fair value of investments	(7,788)	1,103	314	(122)
Miscellaneous	329,538	0	141,121	0
Total revenues	<u>70,793,678</u>	<u>67,485,568</u>	<u>3,298,867</u>	<u>7,199,462</u>
Expenditures				
Current:				
General government	32,906,561	0	2,771	0
Public safety	61,684,176	0	694,455	6,889,465
Physical environment	2,252,075	0	1,850,044	0
Transportation	0	0	669,171	0
Economic environment	1,822,015	0	32,153	0
Human services	7,293,507	139,392	143,597	0
Culture and recreation	6,397,878	0	121,049	0
Judicial	5,050,802	1,345,721	38,662	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>117,407,014</u>	<u>1,485,113</u>	<u>3,551,902</u>	<u>6,889,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,613,336)</u>	<u>66,000,455</u>	<u>(253,035)</u>	<u>309,997</u>
Other financing sources (uses)				
Transfers in	65,648,058	2,075,210	196,431	0
Refunding bonds issued	0	0	0	0
Transfers out	(23,276,648)	(65,964,407)	(121,155)	(33,247)
Payment to refunding bond escrow agent	0	0	0	0
Total other financing sources (uses)	<u>42,371,410</u>	<u>(63,889,197)</u>	<u>75,276</u>	<u>(33,247)</u>
Net change in fund balances	(4,241,926)	2,111,258	(177,759)	276,750
Fund balances, October 1	<u>44,005,713</u>	<u>1,072,058</u>	<u>1,735,670</u>	<u>584,504</u>
Fund balances, September 30	<u>\$ 39,763,787</u>	<u>\$ 3,183,316</u>	<u>\$ 1,557,911</u>	<u>\$ 861,254</u>

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

<u>Special Assessment Paving Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 0	\$ 0	\$ 30,897,230	\$ 142,000,614
0	0	2,464,647	2,464,647
0	0	7,163,979	28,274,527
0	0	19,558,336	35,081,882
0	0	541,133	651,180
91,525	141,833	352,574	1,051,816
(702)	(4,180)	(14,066)	(25,441)
317,490	0	2,273,953	3,062,102
<u>408,313</u>	<u>137,653</u>	<u>63,237,786</u>	<u>212,561,327</u>
0	5,024,626	2,551,742	40,485,700
0	1,784,401	22,219,707	93,272,204
0	801,372	10,296,716	15,200,207
0	1,837,852	18,057,594	20,564,617
0	240,279	3,257,008	5,351,455
0	51,635	1,295,750	8,923,881
0	2,834,213	4,799,395	14,152,535
0	179,824	8,253,603	14,868,612
0	0	6,654,251	6,654,251
0	0	2,299,417	2,299,417
0	0	23,776	23,776
<u>0</u>	<u>12,754,202</u>	<u>79,708,959</u>	<u>221,796,655</u>
<u>408,313</u>	<u>(12,616,549)</u>	<u>(16,471,173)</u>	<u>(9,235,328)</u>
0	8,982,800	22,956,224	99,858,723
0	0	16,370,000	16,370,000
(1,338,983)	(589,752)	(9,415,701)	(100,739,893)
0	0	(16,338,941)	(16,338,941)
<u>(1,338,983)</u>	<u>8,393,048</u>	<u>13,571,582</u>	<u>(850,111)</u>
(930,670)	(4,223,501)	(2,899,591)	(10,085,439)
1,191,097	30,149,460	70,480,130	149,218,632
<u>\$ 260,427</u>	<u>\$ 25,925,959</u>	<u>\$ 67,580,539</u>	<u>\$ 139,133,193</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, 2014

Net change in fund balances - total governmental funds \$ (10,085,439)

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	29,423,396	
Less current year depreciation	<u>(20,004,910)</u>	9,418,486

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities before deferred outflows of \$915,000.

22,854,251

Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the Statement of Net Position.

(16,200,000)

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 deferred charge on refunding	(228,750)	
Change in other postemployment benefits	(892,998)	
Change in long-term compensated absence	<u>(1,441,625)</u>	(2,515,983)

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).

104,684

Change in net position of governmental activities \$ 3,575,999

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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 43,607,861	\$ 43,607,861	\$ 44,667,067	\$ 1,059,206
Intergovernmental	18,073,239	18,073,239	18,085,794	12,555
Charges for services	12,134,150	12,264,190	7,343,827	(4,920,363)
Interest	758,980	758,980	375,240	(383,740)
Net increase (decrease) in fair value of investments	0	0	(7,788)	(7,788)
Miscellaneous	242,966	144,863	329,538	184,675
Total revenues	<u>74,817,196</u>	<u>74,849,133</u>	<u>70,793,678</u>	<u>(4,055,455)</u>
Expenditures				
Current:				
General government	35,589,357	38,907,983	32,906,561	6,001,422
Public safety	64,175,206	64,090,988	61,684,176	2,406,812
Physical environment	2,418,406	2,418,406	2,252,075	166,331
Economic environment	1,903,396	1,913,396	1,822,015	91,381
Human services	7,757,411	7,924,411	7,293,507	630,904
Culture and recreation	6,681,014	6,681,014	6,397,878	283,136
Judicial	3,953,037	4,037,255	5,050,802	(1,013,547)
Total expenditures	<u>122,477,827</u>	<u>125,973,453</u>	<u>117,407,014</u>	<u>8,566,439</u>
Excess (deficiency) of revenues over (under) expenditure	<u>(47,660,631)</u>	<u>(51,124,320)</u>	<u>(46,613,336)</u>	<u>4,510,984</u>
Other financing sources (uses)				
Transfers in	84,212,287	93,545,634	65,648,058	(27,897,576)
Transfers out	<u>(36,551,656)</u>	<u>(42,421,314)</u>	<u>(23,276,648)</u>	<u>19,144,666</u>
Total other financing sources (uses)	<u>47,660,631</u>	<u>51,124,320</u>	<u>42,371,410</u>	<u>(8,752,910)</u>
Net change in fund balances	0	0	(4,241,926)	(4,241,926)
Fund balances, October 1	<u>44,005,713</u>	<u>44,005,713</u>	<u>44,005,713</u>	<u>0</u>
Fund balances, September 30	<u>\$ 44,005,713</u>	<u>\$ 44,005,713</u>	<u>\$ 39,763,787</u>	<u>\$ (4,241,926)</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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 64,887,387	\$ 64,887,387	\$ 66,436,317	\$ 1,548,930
Intergovernmental	43,890	43,890	17,038	(26,852)
Charges for services	816,050	816,050	852,658	36,608
Fines and forfeitures	95,000	95,000	110,047	15,047
Interest	253,650	253,650	68,405	(185,245)
Net increase (decrease) in fair value of investments	0	0	1,103	1,103
Total revenues	<u>66,095,977</u>	<u>66,095,977</u>	<u>67,485,568</u>	<u>1,389,591</u>
Expenditures				
Human services	110,000	150,033	139,392	10,641
Judicial	<u>1,931,570</u>	<u>1,931,570</u>	<u>1,345,721</u>	<u>585,849</u>
Total expenditures	<u>2,041,570</u>	<u>2,081,603</u>	<u>1,485,113</u>	<u>596,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,054,407</u>	<u>64,014,374</u>	<u>66,000,455</u>	<u>1,986,081</u>
Other financing sources (uses)				
Transfers in	0	2,040,033	2,075,210	35,177
Transfers out	<u>(64,054,407)</u>	<u>(66,054,407)</u>	<u>(65,964,407)</u>	<u>90,000</u>
Total other financing sources (uses)	<u>(64,054,407)</u>	<u>(64,014,374)</u>	<u>(63,889,197)</u>	<u>125,177</u>
Net change in fund balances	0	0	2,111,258	2,111,258
Fund balances, October 1	<u>1,072,058</u>	<u>1,072,058</u>	<u>1,072,058</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,072,058</u>	<u>\$ 1,072,058</u>	<u>\$ 3,183,316</u>	<u>\$ 2,111,258</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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 355,083	\$ 11,850,395	\$ 3,007,716	\$ (8,842,679)
Charges for services	97,470	318,443	139,060	(179,383)
Interest	0	4,035	10,656	6,621
Net increase (decrease) in fair value of investments	0	0	314	314
Miscellaneous	0	1,901,553	141,121	(1,760,432)
Total revenues	<u>452,553</u>	<u>14,074,426</u>	<u>3,298,867</u>	<u>(10,775,559)</u>
Expenditures				
General government	0	3,626	2,771	855
Public safety	561,721	2,000,635	694,455	1,306,180
Physical environment	0	4,114,788	1,850,044	2,264,744
Transportation	0	5,707,088	669,171	5,037,917
Economic environment	90,000	718,002	32,153	685,849
Human services	29,457	244,450	143,597	100,853
Culture and recreation	15,000	2,092,082	121,049	1,971,033
Judicial	2,338	39,160	38,662	498
Total expenditures	<u>698,516</u>	<u>14,919,831</u>	<u>3,551,902</u>	<u>11,367,929</u>
Excess (deficiency) of revenue (under) over expenditures	<u>(245,963)</u>	<u>(845,405)</u>	<u>(253,035)</u>	<u>592,370</u>
Other financing sources (uses)				
Transfers in	245,963	845,405	196,431	(648,974)
Transfers out	0	0	(121,155)	(121,155)
Total other financing sources (uses)	<u>245,963</u>	<u>845,405</u>	<u>75,276</u>	<u>(770,129)</u>
Net change in fund balances	0	0	(177,759)	(177,759)
Fund balances, October 1	<u>1,735,670</u>	<u>1,735,670</u>	<u>1,735,670</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,735,670</u>	<u>\$ 1,735,670</u>	<u>\$ 1,557,911</u>	<u>\$ (177,759)</u>

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

Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Fire Rescue Services Fund

Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 7,139,672	\$ 7,139,672	\$ 7,188,001	\$ 48,329
Interest	0	0	11,583	11,583
Net increase (decrease) in fair value of investments	0	0	(122)	(122)
Total revenues	<u>7,139,672</u>	<u>7,139,672</u>	<u>7,199,462</u>	<u>59,790</u>
Expenditures				
Public safety	<u>7,104,902</u>	<u>7,104,902</u>	<u>6,889,465</u>	<u>215,437</u>
Total Expenditures	<u>7,104,902</u>	<u>7,104,902</u>	<u>6,889,465</u>	<u>215,437</u>
Excess of revenues over expenditures	34,770	34,770	309,997	275,227
Other financing sources (uses)				
Transfers out	<u>(34,770)</u>	<u>(34,770)</u>	<u>(33,247)</u>	<u>1,523</u>
Total other financing sources (uses)	<u>(34,770)</u>	<u>(34,770)</u>	<u>(33,247)</u>	<u>1,523</u>
Net change in fund balances	0	0	276,750	276,750
Fund balances, October 1	<u>584,504</u>	<u>584,504</u>	<u>584,504</u>	<u>0</u>
Fund balances, September 30	<u><u>\$ 584,504</u></u>	<u><u>\$ 584,504</u></u>	<u><u>\$ 861,254</u></u>	<u><u>\$ 276,750</u></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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 130,466	\$ 130,466	\$ 91,525	\$ (38,941)
Net increase (decrease) in fair value of investments	0	0	(702)	(702)
Miscellaneous	208,934	208,934	317,490	108,556
Total revenues	<u>339,400</u>	<u>339,400</u>	<u>408,313</u>	<u>68,913</u>
Expenditures				
Public safety	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>339,400</u>	<u>339,400</u>	<u>408,313</u>	<u>68,913</u>
Other financing sources (uses)				
Transfers in	0	1,000,000	0	(1,000,000)
Transfers out	(339,400)	(1,339,400)	(1,338,983)	417
Total other financing sources (uses)	<u>(339,400)</u>	<u>(339,400)</u>	<u>(1,338,983)</u>	<u>(999,583)</u>
Net change in fund balances	0	0	(930,670)	(930,670)
Fund balances, October 1	<u>1,191,097</u>	<u>1,191,097</u>	<u>1,191,097</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,191,097</u>	<u>\$ 1,191,097</u>	<u>\$ 260,427</u>	<u>\$ (930,670)</u>

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

Leon County, Florida

Statement of Net Position

Proprietary Funds

September 30, 2014

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash	\$ 1,565	\$ 669,102
Cash with fiscal agent	0	67,006
Investments	8,420,262	4,517,732
Receivables:		
Accounts	1,108,485	220,848
Intergovernmental	83,608	17,568
Due from other funds	0	6,452
Inventory	6,510	85,115
Total current assets	<u>9,620,430</u>	<u>5,583,823</u>
Noncurrent assets:		
Restricted cash and investments	7,559,237	0
Capital assets:		
Land nondepreciable	1,809,844	0
Depreciable (net)	10,850,728	0
Total noncurrent assets	<u>20,219,809</u>	<u>0</u>
Total assets	<u>29,840,239</u>	<u>5,583,823</u>
Liabilities		
Current liabilities:		
Accounts payable	359,670	141,415
Accrued liabilities	175,830	359,116
Due to other funds	0	34,312
Unearned revenues	295	0
Advances from other funds	0	2,796,572
Total current liabilities	<u>535,795</u>	<u>3,331,415</u>
Noncurrent liabilities:		
Compensated absences	126,919	303,487
Liability for closure costs/maintenance	11,759,283	0
Total noncurrent liabilities	<u>11,886,202</u>	<u>303,487</u>
Total liabilities	<u>12,421,997</u>	<u>3,634,902</u>
Net position		
Investment in capital assets	12,660,572	0
Unrestricted	4,757,670	1,948,921
Total net position	<u>17,418,242</u>	<u>\$ 1,948,921</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	448,711	
Net position of business-type activities	<u>\$ 17,866,953</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, 2014

	Business-type Activities- Landfill Fund	Governmental Activities- Internal Service Funds
Operating revenues		
Charges for services	\$ 7,288,235	\$ 6,215,477
Total operating revenues	<u>7,288,235</u>	<u>6,215,477</u>
Operating expenses		
Personnel services	2,018,376	645,753
Contractual services	5,766,809	77,391
Supplies	308,989	1,561,112
Communications services	25,118	343,105
Insurance	47,865	2,773,656
Utility services	314,816	25,142
Depreciation	1,002,267	0
Other services and charges	1,381,271	698,192
Total operating expenses	<u>10,865,511</u>	<u>6,124,351</u>
Operating income (loss)	<u>(3,577,276)</u>	<u>91,126</u>
Nonoperating revenues		
Taxes	1,703,344	0
Interest	127,831	25,041
Net increase (decrease) in fair value of investments	44,906	(690)
Miscellaneous	16,387	0
Total nonoperating revenues	<u>1,892,468</u>	<u>24,351</u>
Income (loss) before transfers	(1,684,808)	115,477
Transfers in	910,190	0
Transfers out	<u>(29,020)</u>	<u>0</u>
* Change in net position	(803,638)	115,477
Net position, October 1	<u>18,221,880</u>	<u>1,833,444</u>
Net position, September 30	<u>\$ 17,418,242</u>	<u>\$ 1,948,921</u>
* Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>10,793</u>	
Change in net position of business-type activities	<u>\$ (792,845)</u>	

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

Leon County, Florida

Statement of Cash Flows
Proprietary Funds

Year Ended September 30, 2014

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 7,757,179	\$ 218,359
Payments to suppliers	(7,592,334)	(4,534,528)
Payments to employees	(1,989,186)	(636,153)
Claims paid	0	(1,036,361)
Payment for interfund services	(47,865)	5,841,579
Net cash used in operating activities	(1,872,206)	(147,104)
Cash flows from noncapital financing activities		
Tax proceeds	1,703,345	0
Transfers from other funds	910,190	0
Transfers to other funds	(29,020)	0
Net cash provided by (used in) noncapital financing activities	2,584,515	0
Cash flows from capital and related financing activities		
Sale of property	136,366	0
Acquisition and/or construction of capital assets	(383,155)	0
Net cash used in capital and related financing activities	(246,789)	0
Cash flows from investing activities		
Proceeds from sales and maturities of investments	3,981,009	2,335,737
Purchases of investments	(4,615,329)	(2,233,623)
Interest and dividends received	124,759	25,418
Net increase (decrease) in fair value of investments	44,906	(690)
Net cash provided by investing activities	(464,655)	126,842
Net decrease (increase) in cash	865	(20,262)
Cash and equivalents, October 1	700	756,370
Cash and equivalents, September 30	\$ 1,565	\$ 736,108

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

Leon County, Florida

Statement of Cash Flows
Proprietary Funds
(continued)

Year Ended September 30, 2014

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Reconciliation of operating (loss)		
income to net cash used in operating activities		
Operating (loss) income	\$ (3,577,276)	\$ 91,126
Adjustments to reconcile operating		
(loss) income to net cash used in operating activities:		
Depreciation expense	1,002,267	0
Change in assets and liabilities:		
Receivables	229,726	(142,785)
Due from other funds	0	(6,452)
Inventories	3,480	(13,709)
Accounts payable	201,189	(78,582)
Accrued expenses	29,190	3,298
Other current liabilities	0	0
Unearned revenues	295	0
Estimated liability for closure	238,923	0
Net cash used in operating activities	<u>\$ (1,872,206)</u>	<u>\$ (147,104)</u>

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

Leon County, Florida

Statement of Fiduciary Net Position
Agency Funds

September 30, 2014

	<u>Total Agency Funds</u>
Assets	
Cash	\$ 6,775,317
Accounts receivable	1,864,663
Intergovernmental receivables	1,560
Total assets	<u>\$ 8,641,540</u>
Liabilities	
Accounts payable	\$ 2,406,649
Intergovernmental payables	1,739,897
Deposits	2,677,024
Installment tax deposits	1,817,970
Total liabilities	<u>\$ 8,641,540</u>

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

LEON COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

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, 2014

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, 2014, 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, 2014

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Leon County District School Board
Leon County Health Department
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, 2014

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, 2014

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, 2014

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 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, 2014

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.

Fire Rescue Services — This fund was established to fund enhanced fire protection services in the unincorporated area of Leon County. The revenue source is derived from a fire service fee levied on single-family, commercial, and governmental properties in the unincorporated area of the county. It also assists with funding for volunteer fire departments. By interlocal agreement, the fire rescue and emergency management services are functionally consolidated under the city and county.

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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

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 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 Statement No. 40.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

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, 2014.

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 2014 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, 2014

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, 2014

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, 2014

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, 2014.

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 Statement No. 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, 2014

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 \$139,133,193 differs from "net position" of governmental activities of \$408,371,133 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, 2014

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	\$ 665,801,631
Accumulated depreciation	<u>(317,773,796)</u>
Net capital assets added	<u><u>\$ 348,027,835</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, 2014 were:

Capital Improvement Revenue Refunding Bonds	
Series 2005	\$ 20,040,000
Capital Improvement Revenue Bonds, Series 2012A	8,267,000
Taxable Capital Improvement Revenue Bonds,	
Series 2012B	12,679,000
Capital Improvement Revenue Refunding Bonds,	
Series 2014	16,200,000
Unamortized bond premiums	521,292
Deferred outflow of difference between carry value of old	
and new debt	(686,250)
Note payable	1,695,793
Liability for compensated absences	15,427,980
Other postemployment benefits	6,120,291
Arbitrage rebate liability	25,000
	<u><u>\$ 80,290,106</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, 2014, Statement of Net Position is \$1,500,211.

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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

**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 and Deferred Outflows			
Assets:			
Equity in pooled cash and equivalents	\$ 37,601,511	\$ 0	\$ 0
Investments	110,567,819	0	0
Receivables (net)	11,895,527	0	0
Due from other funds	3,347,502	0	0
Inventories	597,945	0	0
Other assets	50,657	0	0
Capital assets (net)	0	348,027,835	0
Total assets	<u>164,060,961</u>	<u>348,027,835</u>	<u>0</u>
Deferred Outflows:			
Loss deferral for difference between old and new debt	0	0	686,250
Total deferred outflows	<u>0</u>	<u>0</u>	<u>686,250</u>
Total assets and deferred outflows	<u>164,060,961</u>	<u>348,027,835</u>	<u>686,250</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 5,850,647	\$ 0	\$ 0
Accrued liabilities	4,024,230	0	0
Intergovernmental payables	2,598,348	0	0
Internal balance	0	0	0
Estimated liability for self-insurance loss	0	0	0
Due to other funds	3,319,642	0	0
Deposits	667,167	0	0
Arbitrage rebate	0	0	25,000
Unearned revenue	8,467,734	0	0
Unamortized premium on bonds payable	0	0	521,292
Other postemployment benefits	0	0	6,120,291
Accrued compensated balances	0	0	15,427,980
Bond and notes payable (net)	0	0	58,881,793
Total liabilities	<u>24,927,768</u>	<u>0</u>	<u>80,976,356</u>
Fund balances/net position	<u>139,133,193</u>	<u>348,027,835</u>	<u>(80,290,106)</u>
Total liabilities and fund balances/net position	<u>\$ 164,060,961</u>	<u>\$ 348,027,835</u>	<u>\$ 686,250</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

**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
\$ 736,108	\$ 0	\$ 38,337,619
4,517,732	0	115,085,551
238,416	6	12,133,949
6,453	(3,353,955)	0
85,115	0	683,060
0	0	50,657
0	0	348,027,835
<u>5,583,824</u>	<u>(3,353,949)</u>	<u>514,318,671</u>
0	0	686,250
0	0	686,250
<u>5,583,824</u>	<u>(3,353,949)</u>	<u>515,004,921</u>
\$ 141,415	\$ 4,068,824	\$ 10,060,886
9,505	(4,033,735)	0
0	0	2,598,348
448,711	0	448,711
2,796,572	0	2,796,572
34,313	(3,353,955)	0
0	0	667,167
0	0	25,000
0	0	8,467,734
0	0	521,292
35,083	(35,083)	6,120,291
618,014	0	16,045,994
0	0	58,881,793
<u>4,083,613</u>	<u>(3,353,949)</u>	<u>106,633,788</u>
<u>1,500,211</u>	<u>0</u>	<u>408,371,133</u>
<u>\$ 5,583,824</u>	<u>\$ (3,353,949)</u>	<u>\$ 515,004,921</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

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

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

The “net change in fund balances” for governmental funds of (\$10,085,439) differs from the “change in net position” for governmental activities of \$3,575,999, 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	\$ 29,423,396
Depreciation expense	<u>(20,004,910)</u>
Net	<u>\$ 9,418,486</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	\$ (16,200,000)
Principal payments	<u>22,854,251</u>
Net	<u>\$ 6,654,251</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

**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 deferred outflow on refunding	(228,750)
Net increase in compensated absences	(1,441,625)
Net increase in other postemployment benefits	(892,998)
	<u>\$ (2,515,983)</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>\$ 104,684</u>
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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Compensated Absences
Revenues				
Taxes	\$ 142,000,614	\$ 0	\$ 0	\$ 0
Licenses and permits	2,464,647	0	0	0
Intergovernmental	28,274,527	0	0	0
Charges for services	35,081,882	0	0	0
Fines and forfeitures	651,180	0	0	0
Interest	1,051,816	0	0	0
Net increase (decrease) in fair value of investments	(25,441)	0	0	0
Miscellaneous	3,062,102	0	0	0
Total revenues	<u>212,561,327</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
General government	40,485,700	(395,859)	0	768,756
Public safety	93,272,204	(21,415,586)	0	524,554
Physical environment	15,200,207	4,778,854	0	(115,849)
Transportation	20,564,617	6,985,402	0	481,863
Economic environment	5,351,455	0	0	(357,510)
Human services	8,923,881	184,984	0	(253,511)
Culture and recreation	14,152,535	443,719	0	494,716
Judicial	14,868,612	0	0	(101,394)
Debt service				
Principal retirement	6,654,251	0	(6,654,251)	0
Interest and fiscal charges	2,299,417	0	174,077	0
Other debt service costs	23,776	0	(23,776)	0
Total expenditures	<u>221,796,655</u>	<u>(9,418,486)</u>	<u>(6,503,950)</u>	<u>1,441,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,235,328)</u>	<u>9,418,486</u>	<u>6,503,950</u>	<u>(1,441,625)</u>
Other financing sources (uses)				
Transfers in	99,858,723	0	0	0
Refunding bonds issued	16,370,000	0	(16,370,000)	0
Transfers out	(100,739,893)	0	0	0
Payment to refunding bond escrow agent	(16,338,941)	0	16,338,941	0
Total other financing sources (uses)	<u>(850,111)</u>	<u>0</u>	<u>(31,059)</u>	<u>0</u>
Net change in fund balance	<u>(10,085,439)</u>	<u>9,418,486</u>	<u>6,472,891</u>	<u>(1,441,625)</u>
Fund balances, October 1	<u>149,218,632</u>			
Fund balances, September 30	<u>\$ 139,133,193</u>			

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

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)

Other Postemployment Benefits	Internal Service Funds	Reclassifications and Eliminations	Statement of Activities
\$ 0	\$ 0	\$ 0	\$ 142,000,614
0	0	(2,464,647)	0
0	0	0	28,274,527
0	0	3,115,827	38,197,709
0	0	(651,180)	0
0	25,041	(26,131)	1,050,726
0	(690)	26,131	0
0	0	0	3,062,102
0	24,351	0	212,585,678
243,975	(18,573)	0	41,083,999
371,333	(72,408)	0	72,680,097
59,635	(969)	0	19,921,878
65,152	(9,745)	0	28,087,289
10,322	739	0	5,005,006
11,244	(2,676)	0	8,863,922
63,452	5,453	0	15,159,875
67,885	17,846	0	14,852,949
0	0	0	0
0	0	0	2,473,494
0	0	0	0
892,998	(80,333)	0	208,128,509
(892,998)	104,684	0	4,457,169
0	0	(99,829,703)	29,020
0	0	0	0
0	0	99,829,703	(910,190)
0	0	0	0
0	0	0	(881,170)
(892,998)	104,684	0	3,575,999
			404,795,134
			\$ 408,371,133

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

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, 2014

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*. Budgets for the Courts for each Clerk will be submitted by June 1 to be approved by the legislature. All court revenues will be collected monthly and available for use by the Clerks in the month following collection. 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.
8. Formal budgetary integration at the object level is used as a management control device for all governmental funds of the County for which annual budgets are adopted, including the General, Special Revenue, Debt Service, and Capital Projects funds. Proforma project length budgets are provided to the County for certain Capital Projects for informational purposes only. The level at which expenditures may not legally exceed appropriations is the fund level.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

Note IV. CASH AND INVESTMENTS

As of September 30, 2014, the value of the County's deposits and investments, with their respective credit ratings, was as follows:

	Fair Value	Credit Rating	Duration
Deposits in Qualified Public Depositories	\$ 45,114,501	N/A	N/A
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	8,209,659	A+f	2.57
Florida Local Government Investment Trust Government Fund (FLGIT)	10,635,363	AAAf	1.54
Florida Municipal Investment Trust (FMIVT) 1-3 Year High Quality Bond Fund	7,699,992	AAA/V2	1.42
Florida Municipal Investment Trust (FMIVT) 0-2 Year High Quality Bond Fund	49,938	AAA/V1	0.71
Florida PRIME Investment Pool	19,922,448	AAAm	0.12
Florida Safe Investment Pool	1,164,328	AAAm	N/A
Money Market	6,094,332	AAAm	N/A
Externally Managed Portfolio:			
Money Market	187,413	AAA	N/A
U.S. Treasuries	29,394,618	AA+	1.95
Government Sponsored Agencies:			
Fannie Mae	6,730,494	AA+	1.70
Federal Home Loan Mortgage Corp	0	0	N/A
Other Government Sponsored Agencies	10,099,084	AA+	1.41
Temporary Liquidity Guarantee	470,765	AA+	0.69
Collateralized Mortgage Obligations	1,006,434	AA+	1.15
Commercial Paper	236,404	AA+	3.70
Corporate Bonds	6,134,340	AA	1.47
Corporate Bonds	12,354,121	A	1.20
Municipal Bonds	2,923,628	AAA	2.05
Municipal Bonds	1,151,507	AA	1.90
Municipal Bonds	501,070	A	1.38
Asset-backed Securities	6,244,906	AAA	0.73
Total Cash and Investments	<u>\$ 176,325,345</u>		

The County's deposits and investments include \$145,442 in accrued interest as of September 30, 2014.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note IV. CASH AND INVESTMENTS (continued)

Credit Risk

The County Investment Policy provides a structure for the portfolio that is designed to minimize credit risk. The majority of the securities held will be those of the highest available credit quality 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 preceding table. Deposits not exposed to credit quality risk, as defined by GASB Statement No. 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.
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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note IV. CASH AND INVESTMENTS (continued)

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, 2014 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, 2014, the County had \$8,209,659 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, 2014, the County had \$10,635,363 with FLGIT.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

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, 2014, the County had \$7,699,992 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, 2014, the County had \$49,938 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, 2014, 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, 2014 is 39 days. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2014, the County had \$19,922,448 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, 2014

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, 2014, is 40 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, 2014, the County had \$1,164,328 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, 2014, were \$47,246,945. 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, 2014

Note IV. CASH AND INVESTMENTS (continued)

The externally managed portfolio totaled \$77,434,784 at September 30, 2014, and was invested for a weighted average term of 764 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 8.314 mills. County citizens were also assessed for Emergency Medical Services (EMS) and primary health care services through Municipal Services Taxing Units at a millage rate of 0.5000 mills. For County citizens charged a special assessment, the required annual payment is also included on their tax bill.

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, 2014

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 2014 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, 2014.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

Note VI. CAPITAL ASSETS

A. Capital Asset Activity for the year ended September 30, 2014 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital not being depreciated:				
Land	\$ 20,546,716	\$ 344,594	\$ 0	\$ 20,891,310
Improvements other than buildings	21,247,225	263,271	0	21,510,496
Construction/Purchase in progress	46,418,903	7,953,640	(19,282,941)	35,089,602
Total not being depreciated	<u>88,212,844</u>	<u>8,561,505</u>	<u>(19,282,941)</u>	<u>77,491,408</u>
Capital assets being depreciated:				
Buildings	181,775,720	39,383,598	(7,956)	221,151,362
Equipment	50,915,595	2,568,649	(1,929,237)	51,555,007
Library collection	3,204,430	640,083	(593,353)	3,251,160
Infrastructure	316,778,409	1,665,923	(6,091,638)	312,352,694
Total being depreciated	<u>552,674,154</u>	<u>44,258,253</u>	<u>(8,622,184)</u>	<u>588,310,223</u>
Less accumulated depreciation:				
Buildings	(83,123,129)	(6,247,136)	1,790	(89,368,475)
Equipment	(26,571,538)	(3,700,347)	1,306,396	(28,965,489)
Library collection	(1,865,722)	(653,255)	593,353	(1,925,624)
Infrastructure	(190,717,260)	(9,404,172)	2,607,224	(197,514,208)
Total accumulated depreciation	<u>(302,277,649)</u>	<u>(20,004,910)</u>	<u>4,508,763</u>	<u>(317,773,796)</u>
Total being depreciated, net	<u>250,396,505</u>	<u>24,253,343</u>	<u>(4,113,421)</u>	<u>270,536,427</u>
Governmental activities capital assets, net	<u>\$ 338,609,349</u>	<u>\$ 32,814,848</u>	<u>\$ (23,396,362)</u>	<u>\$ 348,027,835</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	20,461,096	209,645	(135,843)	20,534,898
Equipment	5,482,402	173,509	(164,390)	5,491,521
Total being depreciated	<u>25,943,498</u>	<u>383,154</u>	<u>(300,233)</u>	<u>26,026,419</u>
Less accumulated depreciation:				
Buildings	(11,446,429)	(632,174)	0	(12,078,603)
Equipment	(2,823,641)	(370,093)	96,646	(3,097,088)
Total accumulated depreciation	<u>(14,270,070)</u>	<u>(1,002,267)</u>	<u>96,646</u>	<u>(15,175,691)</u>
Total being depreciated, net	<u>11,673,428</u>	<u>(619,113)</u>	<u>(203,587)</u>	<u>10,850,728</u>
Business-type activities capital assets, net	<u>\$ 13,483,272</u>	<u>\$ (619,113)</u>	<u>\$ (203,587)</u>	<u>\$ 12,660,572</u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note VI. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 5,836,393
Public safety	1,199,160
Physical environment	524,463
Transportation	9,760,942
Human services	184,983
Culture and recreation	<u>2,498,969</u>
Total depreciation expense - governmental activities	<u><u>\$20,004,910</u></u>

Business-type activities:

Landfill	<u>\$ 1,002,267</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,002,267</u></u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note VII. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Balances as of September 30, 2014, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government:		
By Major Fund:		
General	\$ 555,049	\$ 2,785,207
Fine & Forfeiture	<u>2,169,607</u>	<u>0</u>
Total Major Funds	<u>2,724,656</u>	<u>2,785,207</u>
Nonmajor Special Revenue Funds:		
911 Emergency Communications	443,316	0
Radio Communications Systems	0	14,219
Special Grants	60,249	0
Emergency Management 911 Fees	31,178	461,725
Emergency Management Grant	0	49,010
Sheriff Inmate	<u>88,103</u>	<u>0</u>
Total Nonmajor Special Revenue Funds	<u>622,846</u>	<u>524,954</u>
Nonmajor Capital Projects Funds:		
Local Option Sales Tax	<u>0</u>	<u>9,481</u>
Total Nonmajor Capital Project Funds	<u>0</u>	<u>9,481</u>
Total Nonmajor Governmental Funds	<u>622,846</u>	<u>534,435</u>
Total Governmental Funds	<u>3,347,502</u>	<u>3,319,642</u>
Proprietary Funds:		
Communications Trust	0	34,312
Motor Pool	<u>6,452</u>	<u>0</u>
Total Proprietary Funds	<u>6,452</u>	<u>34,312</u>
Total Primary Government	<u>3,353,954</u>	<u>3,353,954</u>
Total Primary Government & Component Unit	<u><u>\$ 3,353,954</u></u>	<u><u>\$ 3,353,954</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, 2014

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, 2014, consisted of the following:

Transfers to the General Fund from:

Fine & Forfeiture Fund	\$ 64,964,407
Fire Rescue Services Fund	33,247
Special Assessment Paving Fund	156,183
Nonmajor Governmental Funds	465,201
Enterprise Fund	29,020
Total Transfers to the General Fund	<u>65,648,058</u>

Transfers to the Fine & Forfeiture Fund from:

General Fund	<u>2,075,210</u>
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Transfers to the Grants Fund from:

General Fund	121,155
Capital Improvement Fund	40,000
Nonmajor Governmental Funds	35,276
Total Transfers to Grants Fund	<u>196,431</u>

Transfers to the Capital Improvement Fund from:

General Fund	4,500,000
Fine & Forfeiture Fund	1,000,000
Special Assessment Paving Fund	1,182,800
Nonmajor Governmental Funds	2,300,000
Total Transfers to the Capital Improvement Fund	<u>8,982,800</u>

Transfers to the Nonmajor Funds from:

General Fund	15,670,093
Grants Fund	121,155
Capital Improvement Fund	549,752
Nonmajor Governmental Funds	6,615,224
Total Transfers to the Nonmajor Funds	<u>22,956,224</u>
Total Transfers to the Governmental Funds	<u>99,858,723</u>

Transfers to the Enterprise Fund from:

General Fund	<u>910,190</u>
Total Transfers to Enterprise Funds	<u>910,190</u>

Total Interfund Transfers	<u>\$ 100,768,913</u>
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Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

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, 2014, are comprised of the following:

**Outstanding at
September 30, 2014**

Revenue Bonds:

\$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. \$ 20,040,000

\$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. 8,267,000

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

Note VIII. LONG-TERM OBLIGATIONS (continued)

**Outstanding at
September 30, 2014**

Revenue Bonds:

\$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.

12,679,000

\$16,200,00 Capital Improvement Revenue Refunding Bonds, Series 2014, (i) refund a portion of the Capital Improvement Revenue Bonds, Series 2005 of which \$41,415,000 was currently outstanding and maturing in the years 2021 through 2025, and (ii) pay issuance costs on the Series 2014 bonds. The economic gain resulting from the refunding was \$1,695,208. The bonds dated July 23, 2014 and bear interest of 2.69% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2014. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2025.

16,200,000

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

\$ 57,186,000

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note VIII. LONG-TERM OBLIGATIONS (continued)

**Outstanding at
September 30, 2014**

Notes Payable:

Notes payable is comprised of the following at September 30, 2014:

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.

\$ 1,695,793

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
2015	\$ 7,060,250	\$ 1,809,474	\$ 8,869,724
2016	7,392,053	1,472,165	8,864,218
2017	7,695,343	1,171,201	8,866,544
2018	7,265,146	852,797	8,117,943
2019	6,956,001	680,824	7,636,825
2020-2024	19,265,000	1,711,601	20,976,601
2025-2027	3,248,000	87,372	3,335,372
Total	<u>\$ 58,881,793</u>	<u>\$ 7,785,434</u>	<u>\$ 66,667,227</u>

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

Note VIII. LONG-TERM OBLIGATIONS (continued)

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

	Balance October 1, 2013	Reductions	Additions	Balance September 30, 2014	Due Within One Year
Governmental Activities:					
Capital Improvement Revenue Bonds, Series 2012A	\$ 8,267,000	\$ 0	\$ 0	\$ 8,267,000	\$ 0
Taxable Capital Improvement Revenue Bonds, Series 2012B	12,837,000	(158,000)	0	12,679,000	162,000
Capital Improvement Revenue Refunding Bonds, Series 2005	41,415,000	(21,375,000)	0	20,040,000	6,390,000
Capital Improvement Refunding Revenue Bonds, Series 2014	<u>0</u>	<u>0</u>	<u>16,200,000</u>	<u>16,200,000</u>	<u>0</u>
Total Special Revenue Debt	62,519,000	(21,533,000)	16,200,000	57,186,000	6,552,000
Liability for compensated absences	14,610,671	(6,012,208)	7,447,531	16,045,994	4,708,739
Other postemployment benefits	5,227,293	(210,591)	1,103,589	6,120,291	0
Arbitrage rebate liability	25,000	0	0	25,000	0
Bank of America - Notes payable	<u>2,102,044</u>	<u>(406,251)</u>	<u>0</u>	<u>1,695,793</u>	<u>421,605</u>
Governmental Activity Long-term Debt	<u>\$84,484,008</u>	<u>\$(28,162,050)</u>	<u>\$24,751,120</u>	<u>\$81,073,078</u>	<u>\$11,682,344</u>

	Balance October 1, 2013	Reductions	Additions	Balance September 30, 2014	Due Within One Year
Business-type activities:					
Liabilities for compensated absences	\$ 161,818	\$ (50,614)	\$ 68,852	\$ 180,056	\$ 53,137
Other postemployment benefits	117,805	(12,259)	26,077	131,623	21,575
Landfill closure and postclosure costs	<u>11,520,360</u>	<u>0</u>	<u>238,923</u>	<u>11,759,283</u>	<u>0</u>
Business-type activity Long-term liabilities	<u>\$ 11,799,983</u>	<u>\$(62,873)</u>	<u>\$ 333,852</u>	<u>\$ 12,070,962</u>	<u>\$ 74,712</u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note VIII. LONG-TERM OBLIGATIONS (continued)

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 2014 is as follows:

Beginning balance	\$ 433,516
Purchases	4,217,010
Payments	<u>(4,241,609)</u>
Ending balance	<u><u>\$ 408,917</u></u>

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

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

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

The Authority had the following bonds outstanding at September 30, 2014, pursuant to its authorization:

	<u>Amount Outstanding</u>
Single Family Mortgage Revenue and Refunding Bonds, Series 1995 A	<u><u>\$ 125,000</u></u>

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

Note VIII. LONG-TERM OBLIGATIONS (continued)

I. Conduit Debt Obligations - From time to time, the County has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of health care and industrial facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2014, the conduit debts outstanding were as follows:

Project Description	Fiscal Year Issued	Original Bond Issue	Principal Outstanding @ 9/30/2014
Holy Comforter Episcopal School	2002	\$ 4,400,000	\$ 2,839,107
Apalachee Center, Inc.	2008	8,500,000	6,686,688
Goodwill Industries - Big Bend, Inc.	2009	2,400,000	2,021,544
Educational Facilities Authority			
Refunding Series 1998A	1998	12,000,000	8,460,000
Refunding Series 1998B	1998	20,500,000	20,500,000
Student Housing Revenue Bonds 2003	2008	23,315,000	<u>19,195,000</u>

Total Conduit Debt Principal Balance as of September 30, 2014 **\$ 59,702,339**

Defeased Conduit Debt

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

J. Debt Parity

The Capital Improvement Revenue Bonds, Series 2012A and 2012B, and the Capital Improvement Revenue Refunding Bonds, Series 2005 and 2014, 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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

Note VIII. LONG-TERM OBLIGATIONS (continued)

	<u>Actual 2011</u>	<u>Actual 2012</u>	<u>Actual 2013</u>	<u>Actual 2014</u>
Pledged revenues:				
Revenues available for debt service:				
Local Government Half-Cent Sales Tax	\$10,437,198	\$10,445,949	\$10,899,174	\$11,326,967
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	708,334	778,737	842,056	933,969
Total revenues available for debt service	<u>\$12,488,979</u>	<u>\$12,568,133</u>	<u>\$13,084,677</u>	<u>\$13,604,383</u>
Combined maximum annual debt service for debt (Series 2005, Series 2014, Series 2012A, and Series 2012B)	\$ 8,845,936	\$ 8,801,618	\$ 8,475,795	\$ 8,469,155
Debt service coverage	1.41 x	1.43 x	1.54 x	1.61 x

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 \$11,759,283 reported as landfill closure and post-closure care liability at September 30, 2014, 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 2014 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, 2014, held investments in the amount of \$7,559,237 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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note IX. CLOSURE AND POSTCLOSURE CARE COST (continued)

Net income of the landfill fund is accumulated in a reserve for rate stabilization. The fund reported a reserve balance of \$4,757,670 at September 30, 2014. 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.

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, 2014, the contribution rate was 1.26% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2014, 2013, and 2012 were \$10,436,940, \$7,877,084, and \$6,723,951, respectively, which is equal to 100% of the required contribution for each year. The rates for 2014 and 2013 fiscal years were as follows:

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

Note X. EMPLOYEE BENEFITS (continued)

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2013	July 1, 2014
Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2013	July 1, 2014
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.	6.95 %	7.37 %
	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.	18.31 %	21.14 %
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.	19.06 %	19.82 %
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.	33.03 %	43.24 %
	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.		

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note X. EMPLOYEE BENEFITS (continued)

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2013	July 1, 2014
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. 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.	Available to vested members at normal retirement age or date.	12.84 %	12.28 %

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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note X. EMPLOYEE BENEFITS (continued)

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.

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:

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

Note X. EMPLOYEE BENEFITS (continued)

	FY 2014	FY 2013	FY 2012
Normal cost (service cost for one year)	\$ 505,874	\$ 505,874	\$ 470,090
Amortization of unfunded actuarial accrued liability	580,344	580,344	642,166
Interest on normal cost and amortization	43,449	43,449	44,490
Annual required contribution	1,129,667	1,129,667	1,156,746
Interest on net OPEB obligation	213,804	176,524	140,246
Adjustment to annual required contribution	(297,219)	(245,394)	(202,760)
Annual OPEB cost	1,046,252	1,060,797	1,094,232
Contributions made	(139,433)	(128,809)	(187,261)
Increase in net OPEB obligation	906,819	931,988	906,971
Net OPEB obligation at beginning of year	5,345,098	4,413,111	3,506,140
Net OPEB obligation at end of year	<u>\$ 6,251,917</u>	<u>\$ 5,345,099</u>	<u>\$ 4,413,111</u>

The percentage of annual OPEB cost contributed to the plan for fiscal year 2014, 2013, and 2012, was 13.33%, 12.14%, and 17.11%, respectively.

Funded Status and Funding Progress

As of September 30, 2014, 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 \$80,672,832. The ratio of the County's actuarial accrued liability to the County's covered payroll was 12.94% at September 30, 2014.

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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

Note X. EMPLOYEE BENEFITS (continued)

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, 2014, was 30 years.

Note XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES

A. General Liability

Effective December 15, 2012, the County purchased commercial insurance for general liabilities from OneBeacon. From October 1, 2009 to December 15, 2012, the County maintained commercial insurance for general liabilities from Travelers. 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, 2014	\$ 15,965	\$ (5,684)	\$ 0	\$ 10,281
September 30, 2013	\$ 62,998	\$ (47,033)	\$ 0	\$ 15,965

The claims liability of \$10,281 includes an actuarial valuation for incurred but not yet reported claims of \$10,000.

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 \$500,000 for each claim. At September 30, 2014, 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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

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

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 \$2,781,151, which includes an actuarial evaluation for incurred but not reported claims of \$1,671,029, is included in other current liabilities and reported in the Internal Service Fund at September 30, 2014. The liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

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

Year	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2014	\$ 2,714,523	\$ 902,628	\$ (836,000)	\$ 2,781,151
September 30, 2013	\$ 2,531,277	\$ 930,246	\$ (747,000)	\$ 2,714,523

C. Automobile Liability

The County purchases commercial coverage for automobile liability insurance through the same provider of its general liability insurance. All vehicles are covered for physical damage with a \$1,000 deductible and for liability with a \$10,000 deductible.

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, 2014 was \$174,494.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

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

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, 2014	\$ 36,238	\$ (31,098)	\$ 0	\$ 5,140
September 30, 2013	\$ 5,321	\$ 30,917	\$ 0	\$ 36,238

The claims liability of \$5,140 includes an actuarial valuation for incurred but not reported claims of \$5,000.

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, 2014 was \$397,307.

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, 2014, 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, 2014 was \$68,574.

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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2014

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.

C. Deficit Fund Balances

The Special Assessment Sewer Fund and the Construction series 2005 Fund have deficit fund balance of \$264 and \$21,831 respectively as of September 30, 2014.

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, 2014

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	\$ 596,012	\$ 0	\$ 1,933	\$ 597,945
Prepaid assets	16,087	0	34,570	50,657
Total nonspendable	<u>612,099</u>	<u>0</u>	<u>36,503</u>	<u>648,602</u>
Restricted:				
General government	0	0	2,763,274	2,763,274
Public safety	0	0	10,607,977	10,607,977
Physical environment	0	27,483,870	0	27,483,870
Transportation	0	0	32,263,036	32,263,036
Economic environment	0	0	11,183	11,183
Judicial	0	0	2,326,686	2,326,686
Total restricted	<u>0</u>	<u>27,483,870</u>	<u>47,972,156</u>	<u>75,456,026</u>
Committed:				
General government	5,964,568	260,427	0	6,224,995
Public safety	0	1,338,751	13,265,274	14,604,025
Physical environment	0	0	2,793,771	2,793,771
Culture and recreation	0	0	2,573,757	2,573,757
Total committed	<u>5,964,568</u>	<u>1,599,178</u>	<u>18,632,802</u>	<u>26,196,548</u>
Assigned:				
General government	7,871,118	0	103,910	7,975,028
Public safety	0	2,705,819	878,710	3,584,529
Total assigned	<u>7,871,118</u>	<u>2,705,819</u>	<u>982,620</u>	<u>11,559,557</u>
Unassigned:	<u>25,316,002</u>	<u>0</u>	<u>(43,542)</u>	<u>25,272,460</u>
Total Fund Balances	<u><u>\$39,763,787</u></u>	<u><u>\$31,788,867</u></u>	<u><u>\$67,580,539</u></u>	<u><u>\$ 139,133,193</u></u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

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, 2014 are as follows:

Fiscal Year Ending September 30,	Amount
2015	\$ 1,522,945
2016	1,044,975
2017	577,586
2018	228,719
2019	223,905
2019-2022	469,213
Total minimum payments	<u>\$ 4,067,343</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 2014. 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 Town Center (formerly Huntington Oaks) 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, 2014, are as follows:

Fiscal Year Ending September 30,	Amount
2015	\$ 242,767
2016	157,724
2017	12,247
Total minimum payments	<u>\$ 412,738</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

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 \$7,013,207 for fiscal year 2014. 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 maintenance agreement 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, 2015 is \$130,395. The contract may be terminated by either party by giving thirty (30) 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
2015	\$ 190,472
2016	193,919
2017	197,365
2018	200,838
2019	204,598
2020-2023	618,077
	<u>\$ 1,605,269</u>

Rental expense for the year ended September 30, 2014 was \$252,089.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

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. Some of the real property leases contain provisions for four or five-year renewal options, with stated increases or decreases for lease payments. At September 30, 2014, 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
2015	\$ 934,004
2016	917,220
2017	923,733
2018	930,411
2019	770,415
2020-2024	3,166,167
2025-2029	2,797,061
2030-2033	2,097,796
Total minimum payments	<u>\$12,536,807</u>

Lease expenditures incurred under operating leases for the year ended September 30, 2014 were \$847,309.

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, 2014, equipment lease expenses were \$123,529. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

Fiscal Year Ending September 30,	Amount
2015	\$ 38,869
2016	26,993
2017	16,009
2018	6,096
2019	3,240
Total minimum payments	<u>\$ 91,207</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

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, 2014, for each of the next five years and in the aggregate are as follows:

Fiscal Year Ending September 30,	Amount
2015	\$ 57,485
2016	61,500
2017	61,500
2018	61,500
2019	61,500
2020-2023	<u>230,625</u>
Total minimum payments	<u>\$ 534,110</u>

Rent expense paid during the fiscal year ended September 30, 2014 was \$84,367.

On June 27, 2010, the Clerk entered into an agreement for installation and implementation of new software. An addendum was made during the year to increase the contract by \$218,000. The total fees under this contract are now \$1,010,854. As of September 30, 2014, a total of \$811,115 has been paid with a remaining balance of \$199,739. The remaining balance will be paid in subsequent years based on the implementation of the civil and criminal case maintenance systems. 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, 2014

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Long-Term Construction Projects

The County is committed to various material long-term construction projects at September 30, 2014. These commitments have been included in the 2013-2014 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 \$4.9 million as compared to \$5 million at September 30, 2013.

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

On November 4, 2014 the voters approved the extension of the 1% Blueprint sales tax for an additional 20 years through 2039. The County has evaluated subsequent events through March 10, 2015, the date the financial statements were available to be issued.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2014

Note XV. Change in Accounting Principle

Effective October 1, 2013, the County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Adoption of GASB 65 resulted in a change in accounting principle associated with the County's recognition of and accounting for bond issuance costs and classification of losses from refunded debt and requires retroactive recognition. Bond issuance costs, which were previously capitalized and amortized over the life of the related debt, are required to be expensed as incurred. Accordingly, net position at October 1, 2013 was reduced by \$1,095,594, which was the cumulative effect of bond issuance costs incurred in prior years but not fully amortized. Differences in carrying value associated with refunded debt were reclassified to deferred outflows of resources on the Statement of Net Position.

**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, 2014, 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 March 10, 2015.

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*.

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.

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 March 10, 2015.

Thomas Howell Ferguson P.A.



Tallahassee, Florida
March 10, 2015

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



Tallahassee, Florida

Independent Auditor's Report on Compliance For Each Major Program
and on Internal Control Over Compliance Required by
OMB Circular A-133

Honorable Board of County Commissioners
Leon County, Florida

Report on Compliance for Each Major Federal Program

We have audited Leon County, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Leon County, Florida's major federal programs for the year ended September 30, 2014. Leon County, Florida's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Leon County, Florida's major federal programs 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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. However, our audit does not provide a legal determination of Leon County, Florida's compliance.

Opinion on Each Major Federal Program

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 for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

Leon County, Florida's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Leon County, Florida's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 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 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.

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. Accordingly, this report is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

A handwritten signature in black ink that reads "Thomas Howell Ferguson P.A." in a cursive script.

Tallahassee, Florida
March 10, 2015

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

A handwritten signature in blue ink that reads "Law, Redd, Crona & Munroe, P.A." in a cursive script.

Tallahassee, Florida

Leon County Board of County Commissioners
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2014

<u>Federal / State Agency</u> <u>Pass-through Entity</u> <u>Federal Program / State Project</u>	<u>CFDA or</u> <u>CSFA</u> <u>Number</u>	<u>Grant</u> <u>Contract</u> <u>Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Direct Program			
NRCS Slope Stabilization Grant	10.923	Unknown	99,000
Pass through Florida Department of Financial Services			
Schools and Roads - Grants to States	10.665	USFOR2014	52,171
<u>U.S. Department of Housing and Urban Development</u>			
Pass through Florida Department of Economic Opportunities			
Community Development Block Grants	14.228	10DB-K4-02-47-01-K21	428,272
Community Development Block Grants	14.228	12DB-P5-02-47-01-K38	201,622
Total CFDA # 14.228			629,894
<u>U.S. Department of Interior</u>			
Direct Program			
Payment in Lieu of Taxes	15.226	Unknown	203,372
<u>U.S. Department of Justice</u>			
Direct Program			
Equitable Sharing Program	16.922	N/A	50
Pass through State of Florida Office of the Attorney General			
Crime Victim Assistance	16.575	V12151	518
Crime Victim Assistance	16.575	V13151	37,490
Total CFDA # 16.575			38,008
Pass through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-JAGC-LEON-1-E5-085	106,732
<u>U.S. Department of State</u>			
Pass through Florida Department of State			
Help America Vote Act Requirements Payments	90.401	Title I	31,937
Help America Vote Act Requirements Payments	90.401	Title II	24,338
Total CFDA # 90.401			56,275
<u>U.S. Department of Transportation</u>			
Pass through Florida Department of Environmental Protection			
Recreational Trails Program	20.219	T1005	166,271
Pass through Florida Department of Transportation			
Highway Planning and Construction	20.205	430154-1-58-01	864,996
<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	15,325
Child Support Enforcement-Title IV D Incentive	93.563	Unknown	2,861
Child Support Enforcement-Title IV D	93.563	CD337	396,613
Total CFDA # 93.563			414,799

(continued)

Leon County Board of County Commissioners
Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2014

<u>Federal / State Agency</u> <u>Pass-through Entity</u> <u>Federal Program / State Project</u>	<u>CFDA or</u> <u>CSFA</u> <u>Number</u>	<u>Grant</u> <u>Contract</u> <u>Number</u>	<u>Expenditures</u>
FEDERAL AWARDS (continued)			
<u>U.S. Department of Homeland Security, Office of Domestic Preparedness</u>			
Pass through Florida Division of Emergency Management			
Homeland Security Grant Program	97.067	14-DS-C9-02-47-01-491	254,552
Homeland Security Grant Program	97.067	14-DS-L5-02-47-01-459	34,487
Homeland Security Grant Program	97.067	12-DS-20-02-47-01-383	10,746
Homeland Security Grant Program	97.067	12-DS-20-02-47-01-382	43,689
Homeland Security Grant Program	97.067	14-DS-L5-02-47-01-261	39,124
Homeland Security Grant Program	97.067	14-DS-C9-02-47-23-500	71,140
Homeland Security Grant Program	97.067	13-DS-97-02-47-01-485	138,643
Pass through Florida Department of Law Enforcement			
Homeland Security Grant Program	97.067	2011-SHSP-LEON-3-V3-097	(60)
Total CFDA # 97.067			<u>592,321</u>
<u>Federal Emergency Management Agency</u>			
Pass through Florida Department of Emergency Management			
Emergency Management Performance Grants	97.042	14-FG-86-02-4-7-01-104	81,328
Emergency Management Performance Grants	97.042	15-FG-86-02-4-7-01-104	21,819
Total CFDA # 97.042			<u>103,147</u>
Total Expenditures of Federal Awards			<u>\$ 3,327,036</u>

(continued)

Leon County Board of County Commissioners
Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2014

<u>Federal / State Agency</u> <u>Pass-through Entity</u> <u>Federal Program / State Project</u>	<u>CFDA or</u> <u>CSFA</u> <u>Number</u>	<u>Grant</u> <u>Contract</u> <u>Number</u>	<u>Expenditures</u>
STATE FINANCIAL ASSISTANCE			
<u>State of Florida Division of Emergency Management</u>			
Direct Projects			
Emergency Management Programs	31.063	15-BG-83-02-47-01-037	30,777
Emergency Management Programs	31.063	14-BG-83-02-47-01-037	105,806
Emergency Management Projects	31.067	14-CP-11-02-47-23-352	7,500
Total State of Florida Division of Emergency Management			144,083
<u>Florida Department of State</u>			
Direct Project			
State Aid to Libraries	45.030	14-ST-29	178,220
<u>Florida Housing Finance Corporation</u>			
Direct Projects			
State Housing Initiatives Partnership (SHIP) Program	52.901	SHIP 12	5,929
State Housing Initiatives Partnership (SHIP) Program	52.901	SHIP 13	33,061
Total Florida Housing Finance Corporation			38,990
<u>Florida Department of Transportation</u>			
Direct Project			
State Highway Project Reimbursement	55.023	AQT90	59,339
<u>Florida Department of Health</u>			
Direct Projects			
County Grant Awards	64.005	C1037	26,229
Emergency Medical Services (EMS) Matching Awards	64.003	M1072	1,868
Emergency Medical Services (EMS) Matching Awards	64.003	M2006	16,000
Total Florida Department of Health			44,097
<u>Florida Department of Elder Affairs</u>			
Direct Project			
Community Care for the Elderly	65.010	Unknown	4,360
Total Expenditures of State Financial Assistance			\$ 469,089

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	\$ 79,359
State Housing Initiatives Partnership Program	52.901	2,002,033
		\$ 2,081,392

- (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, 2014**

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)? Yes

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
		U.S. Department of Transportation
		Pass through Florida Department of Transportation
	20.205	Highway Planning and Construction
		Pass through Florida Department of Environmental Protection
	20.219	Recreational Trails Program
		U.S. Department of Homeland Security, Office of Domestic Preparedness
		Pass through Florida Division of Emergency Management
	97.067	Homeland Security Grant Program

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

Auditee qualified as low-risk auditee? Yes

Section II -- Financial Statement Findings

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

Section III -- Federal Award Findings and Questioned Costs

Refer to finding number 2014-001 in Section III.

See independent auditors' report.

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

**Schedule of Findings and Questioned Costs (Continued)
Federal Awards**

Year ended September 30, 2014

Section III - Findings and Questioned Costs – Major Federal Award Programs

Finding 2014-001

United States Department of Transportation
Pass-Through Florida Department of Environmental Protection
Recreational Trails Program – CFDA 20.219

Criteria: The State of Florida Department of Environmental Protection (DEP) Agreement for the Miccosukee Greenway Phase 2, Recreational Trails Program Project No. T1005, requires the County to submit Project Status Reports no later than five days following the quarterly reporting period, and the close-out documentation as described in Chapter 62S2, F.A.C., within 60 days of completion of the project. Additionally, an amount equal to 10% of the remaining funding is retained by DEP until the close-out documentation is received.

Condition: During audit procedures performed on the Miccosukee Greenway Project No. T1005, it was noted that the Project Status Reports for the periods of April-June 2014, July-September 2014, and October-December 2014 were dated and submitted to DEP on December 23, 2014. Additionally, the close-out documentation has not been submitted, resulting in the remaining funding in the amount of \$20,293 being retained by DEP. It was noted per review of the Project Status Reports that DEP completed their final site inspection on April 17, 2014 and advised the County to proceed with filing all close-out documentation.

Context: There are no questioned costs related to this finding.

Effect: Noncompliance in regards to Reporting.

Cause: Untimely reporting

Recommendation: In order to remain in compliance with the grant agreement, quarterly Project Status Reports and close-out documentation should be remitted within the time period specified in the grant agreement.

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

**Schedule of Findings and Questioned Costs (Continued)
Federal Awards**

Year ended September 30, 2014

Section III - Findings and Questioned Costs – Major Federal Award Programs (continued)

Finding 2014-001 (continued)

Views of Responsible Officials and Planned Corrective Actions: Leon County does agree that grant reports should be filed with the granting agency as specified and the County does submit grant operating reports as required by the specific grants. In this particular case, there were extenuating circumstances regarding the reporting to the DEP. Two primary issues delayed the close-out process. First, shortly after the site inspection on April 17, 2014 (referenced above), the two, and only staff members that ran DEP's Recreational Trails Program (RTP) were let go. All activities in that office came to a stand still for nearly six months. Second, it was discovered that one of the documents needed for the close-out process had never been successfully filed with the Clerk's Office. In researching the issue, Parks staff believed they were waiting on signature/execution from DEP staff prior to filing the document. Parks staff has since been directed by the new DEP RTP staff that DEP signature is not necessary and that the document should be revised to remove the DEP signature blocks. As such, close-out documentation has further been delayed as Parks staff is working with the County Attorney's Office to process the corrected format of the Notice of Limited Use. Throughout this process, Parks management has also been working closely with the new DEP RTP staff to ensure project close-out can be accomplished as soon as possible and secure the release of the retainage.

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

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

Year ended September 30, 2014

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

None.

**MANAGEMENT LETTER &
INVESTMENT COMPLIANCE REPORT**

Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

We have audited the financial statements of Leon County, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 10, 2015.

Auditor's Responsibility

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.

Other Reports and Schedules

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, Schedule of Findings and Questioned Costs, and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 10, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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.

Official Title and Legal Authority

Section 10.554(1)(i)4., *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.

Financial Condition

Section 10.554(1)(i)5a., *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*.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *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.

Annual Financial Report

Section 10.554(1)(i)5.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, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., *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)3., *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.

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.



Tallahassee, Florida
March 10, 2015

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



Tallahassee, Florida

Independent Accountants' Report on Compliance with Local Government Investment Policies

The Honorable Board of County Commissioners
Leon County, Florida

We have examined Leon County, Florida's (Board) compliance with local government investment policies provided in Chapter 218.415, *Florida Statutes*, during the year ended September 30, 2014. Management is responsible for Leon County's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with specified requirements.

In our opinion, Leon County complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Thomas Howell Ferguson P.A.



Tallahassee, Florida
March 10, 2015

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



Tallahassee, Florida