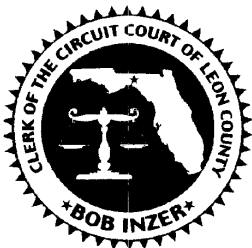


INTRODUCTORY SECTION



Bob Inzer

Clerk of Circuit Court

Clerk of Courts ▪ Clerk of County Commission ▪ Auditor ▪ Treasurer ▪ Recorder ▪ Custodian of County Funds

March 15, 2002

To the Citizens of Leon County

I am pleased to submit The Comprehensive Annual Financial Report (CAFR) of Leon County, Florida for the fiscal year ending of September 30, 2001. This report was prepared in accordance with generally accepted accounting principles by the Finance Department of the Clerk of the Circuit Court and meets the requirements of Chapter 218.39 of the Florida Statutes requiring an independent audit by certified public accountants. The CAFR represents the official report of the County's financial operations and conditions to a wide variety of users both internal and external to the government. Responsibility for both the accuracy of the data presented, as well as the completeness and fairness of the presentation, including all disclosures, rests with the Clerk's Office as the Chief Financial Officer of the County.

I believe that the information presented is materially accurate, that it has been presented in a manner designed to clearly set forth the financial position and results of operations of the County as measured by the financial activity of the various County funds, and that it includes all disclosures necessary to enable the reader to gain a comprehensive understanding of the County's financial activities.

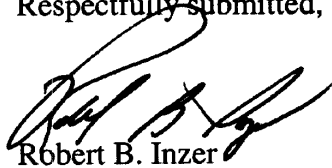
The Clerk of the Circuit Court, through the Finance Department, is responsible for establishing and maintaining internal controls to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss. I believe the internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Government Finance Officers Association of the United States and Canada (GFOA) awards Certificates of Achievement for Excellence in Financial Reporting to governments whose comprehensive annual financial reports are judged to conform substantially with high standards of public financial reporting, including generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. For the fiscal year ending September 30, 2000, Leon County received the GFOA Certificate of Achievement for Excellence in Financial Reporting. This is the fourth consecutive time, Leon County has received this award, and it is my belief that this accompanying financial report for fiscal year ending September 30, 2001 continues to meet program standards, and therefore, will be submitted to the Government Finance Officers Association for review.

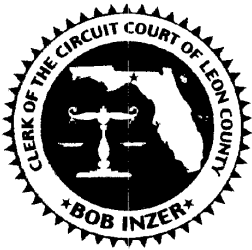
Acknowledgements

The preparation of this comprehensive annual financial report could not have been accomplished without the dedicated efforts of the entire staff of the Finance Department. Their efforts over the past years toward upgrading the accounting and financial systems of the County have led to the improved quality of the information being reported to the Board of County Commissioners, State and Federal Agencies, and the citizens of Leon County.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert B. Inzer", is written over the printed name.

Robert B. Inzer
Clerk of the Circuit Court
Leon County, Florida



Bob Inzer

Clerk of Circuit Court

Clerk of Courts ▪ Clerk of County Commission ▪ Auditor ▪ Treasurer ▪ Recorder ▪ Custodian of County Funds

March 19, 2002

To the Honorable Board of
County Commissioners and to the
Citizens of Leon County
Leon County, Florida

The Comprehensive Annual Financial Report of Leon County for the fiscal year ended September 30, 2001, is respectfully submitted. This report was prepared by the Finance Department of the Office of Clerk of the Circuit Court (as part of the Clerk's legally prescribed duties as the Chief Financial Officer of the County). I believe the financial and statistical information presented is accurate in all material respects, and is set forth in a manner designed to fairly present the financial position and results of operations of the County as measured by the financial activity of its various funds. The report contains all of the disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs.

Organization and Content

The purpose of this letter is to narratively point out the highlights of the County's financial operations for the fiscal year ended September 30, 2001. The Comprehensive Annual Financial Report contains three major sections; they are the Introductory, Financial, and Statistical Sections. The Introductory Section, which is unaudited, is designed to give the reader some basic background about the governmental unit as a whole. The Financial Section includes the independent auditors' report and is divided into the following subsections:

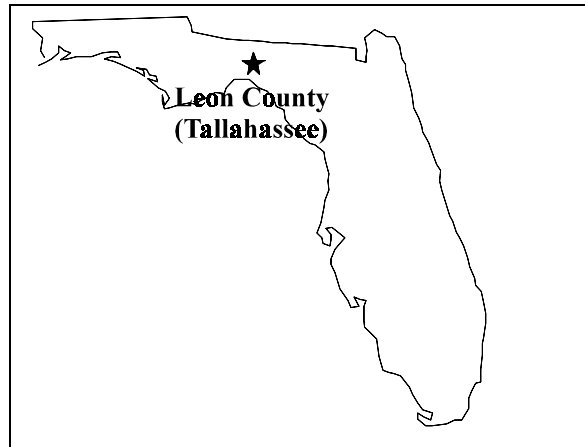
1. General Purpose Financial Statements by fund type, account group and component unit;
2. Notes to the Financial Statements;
3. Required Supplementary Information, and;
4. Combining, Individual Fund and Account Group Statements and Schedules.

The Statistical Section, which is unaudited, presents social, demographic, and economic data together with information concerning the financial trends and the fiscal capacity of Leon County, and is generally presented on a multi-year basis.

General Information on Leon County

Leon County was created by the Territorial Legislature on December 29, 1824, and was named for Juan Ponce de Leon, the Spanish explorer who gave Florida its name. It is located in the midst of seven hills within a 671 square mile area, which includes the State Capitol and the County Seat, Tallahassee. It should be noted that approximately one fourth of Leon County is occupied by the Apalachicola National Forest and 290,000 acres of commercial forest.

As shown on the map below, the City of Tallahassee and Leon County are located in the panhandle area of north Florida. The presence of two major universities along with a community college, helps to shape the Leon County population as relatively young, well advanced and affluent. The universities Florida State University (FSU) founded in 1857, Florida Agricultural and Mechanical University (FAMU) founded in 1887 and Tallahassee Community College (TCC) are considered among the best of institutions of higher learning in the USA.



The estimated July 1, 2001, population of 244,208 residents rank Leon County as the 14th largest of Florida's 67 counties.

The Leon County economy can be characterized as stable, but growing, with increasing elements of diversification. Historically, the major economic factor has been the state government. The County, however, serves as an educational center, with five institutions offering post-secondary educational programs and as the financial, trade and health center for a surrounding population of more than 394,700 persons in North Florida and 111,800 in South Georgia for a total of 506,500.

Government Structure

Leon County is a political subdivision of the State of Florida. As such, it is governed by, and derives its operating authority from, the constitution and laws of the State of Florida.

The County operates under a commission/administrator form of government, with a governing board consisting of seven county commissioners. The County is divided into five geographical districts, with five of the seven commissioners elected from one of each of these separate districts. Two commissioners are elected at large. In addition to the Board of County Commissioners, there are five elected constitutional officers performing specifically designated governmental functions: Clerk of the Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. The Leon County Board of County Commissioners exercises a varying degree of budgetary control, but not administrative control, over the activities of the constitutional officers. During fiscal year 2000-01, the Property Appraiser, Sheriff, and Supervisor of Elections each operated their respective offices as budget officers with funding provided by the Board in the form of operating subsidies. In return, each budget officer is responsible for the collection of revenues within their jurisdictional area, and for the subsequent remittance of such collections to the Board.

The Clerk of the Circuit Court and Tax Collector operates a portion of their office as a budget officer, with the remainder being operated as a fee officer. Fee officers are authorized to retain revenues generated within their offices for the purpose of defraying the costs of operation. The Clerk of the Circuit Court serves as Clerk to the Board of County Commissioners. The duties of the Clerk of the Circuit Court, as set forth in the Florida Constitution, include those of County auditor, accountant and custodian of County funds.

The Financial Reporting Entity and Its Services

This report contains all of the funds and account groups of Leon County, Florida, as well as component units which are required to be included pursuant to the provisions of Governmental Accounting Standards Board Statement Number 14. Statement 14 defines the Financial Reporting Entity as (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Primary government is defined as an entity which (a) has a separately elected governing body, (b) is legally separate, and (c) is fiscally independent of other state and local governments. Component units on the other hand, are defined as either (a) legally separate organizations for which the elected officials of the primary government are financially accountable, or (b) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria used to determine whether an organization is financially accountable to the primary government include:

1. The primary government appoints a voting majority of the potential component unit's governing body; **and**
2. The primary government is able to impose its will on the potential component unit **or** there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Once a determination is made that an organization is a component unit of the primary government, a decision must be made relative to the presentation of that component unit in the financial statements of the primary government. If the component units, despite being legally separate from the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government, then they are reported as a part of the primary government. That is, the component unit's balances and transactions are reported in a manner similar to the balances and transactions of the primary government. This method of inclusion is known as blending. Component units, which do not meet the criteria for blending, are reported as discrete presentations in a separate column on the financial statements of the primary government.

Based on the application of the foregoing criteria, the primary government includes the Board of County Commissioners, Clerk of the Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. The Leon County Commission Governmental Leasing Corporation is included as a blended component unit of the County, and the Leon County Housing Finance Authority is included as a discretely presented component unit.

After a detailed review of the criteria set forth in Governmental Accounting Standards Board Statement Number 14 (*the Financial Reporting Entity*), the following Boards, authorities, agencies, and districts have been excluded from the financial reporting entity:

- Leon County School Board District
- Leon County Health Department
- Tallahassee Leon County Civic Center Authority
- Falls Chase Special Taxing District
- Northwest Florida Water Management District
- Leon County Educational Facilities Authority
- Frenchtown Neighborhood Improvement District
- Leon County Health Facilities Authority
- Leon County Research and Development Authority
- Ochlochnee Soil and Water Conservation District
- Tallahassee Downtown Improvement Authority
- Tallahassee Housing Authority

The County provides a full range of governmental services pursuant to state law and local ordinance, including public safety, transportation, physical environment, economic environment, human services, culture/recreation, and general government services.

Accounting System and Budgetary Control

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records used in preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. I believe that the County's internal accounting controls adequately safeguard assets, and provide reasonable assurance of proper recording of financial transactions.

Formal budgetary integration is used as a management control device during the year for all governmental funds of the County and the Housing Finance Authority. Budgetary control (i.e. the level at which expenditures cannot exceed the appropriated amount) is established at the fund level, pursuant to Section 129.07, Florida Statutes. Budgets for all governmental fund types are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The County's accounting system is organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. Each fund is classified by category and fund type. For descriptions of the County's fund types, account groups and a summary of significant accounting policies, see the notes to the financial statements. For a description of the individual funds, see the combining statements.

An abbreviated summary of the classes of funds is outlined below:

Governmental Funds

In Governmental Funds, measurement focus is based on a determination of the financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. These funds are maintained on the modified accrual basis of accounting, where revenues and other financial resource increments (for example, bond proceeds) are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Basic financial statements necessary to fairly present financial position and operating results for these funds are the balance sheet and the statement of revenues, expenditures and changes in fund balance.

Proprietary Funds

The Proprietary Funds (the Enterprise Funds and the Internal Service Funds) are used to account for activities in a manner similar to that utilized in the private sector, where the determination of net income is necessary or useful for sound financial administration. The Proprietary Funds are accounted for on the full accrual basis, where revenues are recognized when they are earned and expenses when they are incurred.

Fiduciary Funds

The measurement focus for the Fiduciary Funds (the Trust and Agency Funds) is dependent on the nature of the fund. The Expendable Trust Fund is accounted for in essentially the same manner as the Governmental Funds, while Agency Funds are purely custodial (assets equal liabilities) and therefore do not involve the measurement of the results of operations.

Account Groups

The General Fixed Assets and General Long-Term Debt Account Groups are used to establish accounting control and accountability for the County's general fixed assets and general long-term debt. The County's general fixed assets are not financial resources available for expenditure. The unmatured principal of the County's general long-term debt does not require the use of financial resources during the current accounting period. Accordingly, these are not accounted for in the governmental funds, but in self-balancing account groups.

General Governmental Functions

Revenues, as included in governmental and expendable trust fund types, totaled \$156,988,974 during fiscal year 2000-01 and increased by \$10,814,937 or 7.4% over the total revenues of \$146,174,037, reported in fiscal year 1999-00.

Pursuant to the uniform classification of accounts prescribed by the State Comptroller's office, governmental fund revenues are classified into one of the following six categories:

Taxes - Includes property (ad valorem) taxes, various gas taxes, other local taxes, and franchise fees.

Licenses and Permits - Includes occupational licenses, building, zoning, and utility permits, right-of-way permits, and other licenses and permits of a local nature.

Intergovernmental Revenues - Includes federal grants and contracts, state grants and contracts and revenue sharing, such as the County's share of state collected motor fuel taxes, sales taxes, para-mutual wagering taxes, and license fees.

Charges for Services - Includes assessments for street paving which benefit property in specific areas, as well as assessments collected by the Tax Collector on a per-parcel basis, 911 fees imposed and collected from local telephone exchange customers. Other revenues included in this category are: fees for recording of documents, prisoner room and board, certification and copy of county documents and records, sale of official maps and publications, animal control fees, parks and campground user fees, and other user charges.

Fines and Forfeitures - Includes court fines and fees, as well as the proceeds from the sale of judicially confiscated property.

Miscellaneous Revenues - Includes interest on investments, rents, sales of surplus property, insurance proceeds from lost or destroyed property, refunds, contributions, reimbursements, and revenues not more properly recorded in other classifications.

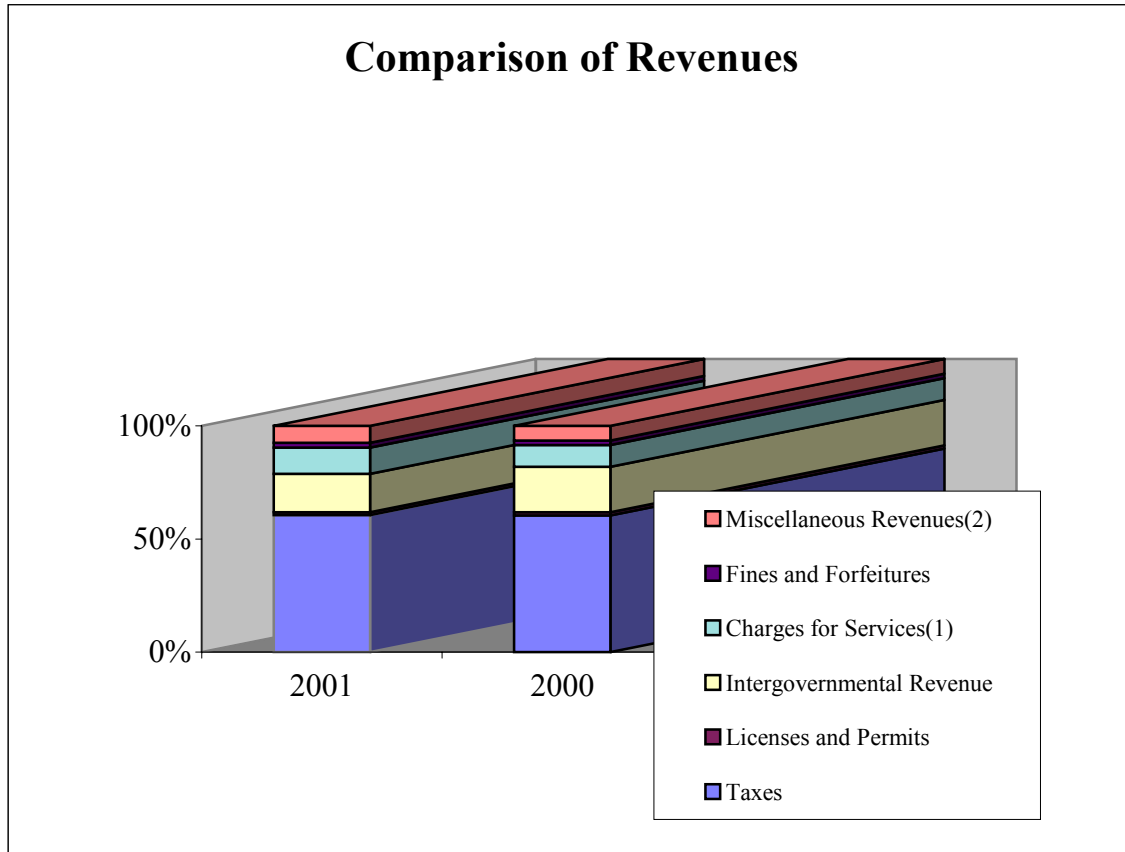
Based on the preceding classifications, the amount of general government revenues received during fiscal year 2000-01 as compared to fiscal year 1999-00 is included in the chart below:

Description	Fiscal Year 2000-01	Fiscal Year 1999-00	Increase (Decrease)	Percent Change
Taxes	\$ 95,117,151	\$ 88,355,036	\$ 6,762,115	7.65
Licenses and Permits	2,005,469	2,060,250	(54,784)	(2.66)
Intergovernmental Revenue	26,593,844	29,253,972	(2,660,128)	(9.09)
Charges for Services ⁽¹⁾	18,291,609	14,217,176	4,074,433	28.65
Fines and Forfeitures	3,337,990	2,862,621	475,369	16.61
Miscellaneous Revenues ⁽²⁾	11,642,911	9,424,982	2,217,929	23.53
Totals	\$ 156,988,974	\$ 146,174,037	\$ 10,814,934	7.40

⁽¹⁾ Includes special assessments levied and collected.

⁽²⁾ Includes interest income.

The relationships between the various sources of revenue received in fiscal year 2000-01, as compared to fiscal year 1999-00, may be shown graphically:



In keeping with previous years a majority of the increase in **tax** revenues can be attributed to increases in total ad valorem tax revenues. The ad-valorem tax levy increased by \$4.4 million or 6.65% from \$66.2 million in fiscal year 1999-00 to \$70.6 million in fiscal year 2000-01. Since the average millage rate (amount of taxes per \$1,000 of assessed value) levied throughout the county was constant at 8.58 mills in fiscal years 1999-00 and 2000-01, this increase is entirely attributable to increases in the assessed value of taxable properties. Taxable property value totaled \$7.722 billion in fiscal year 1999-00 and increased by \$507 million or 6.57% to \$8.229 billion in fiscal year 2000-01. The remaining increase can be attributed to the implementation of the County's MSTU which generated \$3.581 million in fiscal year 2000-01, and the one cents sales tax revenue which also exhibited an increase from the previous year. Tax revenues had an overall increase despite fiscal year 1999-01 being the final year that the County collected approximately \$2,043 million in electric franchise fees.

Revenues received from the One-Cent Sales Tax increased from \$15,951,557 during fiscal year 1999-00 to \$16,626,043 during fiscal year 2000-01. This tax, which was approved by the voters of Leon County in a referendum election held on November 4, 1989, provides for the levy of a one percent sales tax on every taxable item sold in the County and taxed pursuant to the provisions of Section 206, Florida Statutes. Utilization of the proceeds of this tax is limited to the costs of acquisition, construction, reconstruction, and maintenance of roads and streets; and the costs of establishing, operating, and maintaining a transportation system and related facilities.

It should be noted at this point, that through a cooperative agreement between the Board of County Commissioners and the City of Tallahassee, nearly 45% of the combined revenues collected from the one cent voted sales tax and the six cent local option gas tax, are shared with the City. Combined these revenues represent over \$35 million to local governments in the community.

License and permit revenues experienced a slight decrease in the amount received in fiscal year 2000-01 as compared to fiscal year 1999-00. These revenues are generated primarily from two principal sources, namely professional and occupational licenses and building permits. Professional and occupational license fees are payable on or before October 1 of each year; therefore, the timing of when these items are paid could have an impact on the amount received from one year to the next. Revenues from professional licenses were virtually unchanged from the prior fiscal year.

The primary reason for the slight decrease in this category is due to the decline in Building Permits. Since the actual building permits issued in fiscal year 2000-01 (2489) decreased by only .6% as compared to fiscal year 1999-00 (2489), neither the number of permits issued nor a building moratorium in one sector of the County can be considered factors in explaining the decrease. The number of building permits was only slightly down and the moratorium was lifted in the first quarter of fiscal year 2000-01. The decline can be primarily attributed to the change in the mixture of permits issued. The County only collects permit fees for development occurring in the un-incorporated area of the County. Leon County received \$1,082,512 during fiscal year 1999-00 as compared to \$1,000,535 during fiscal year 2000-01 for building permits. Although there have been slight decreases in this category over the past few years, this is the first year that the cause could be attributed to the mixture of building permits. Overall residential and commercial developments have been relatively strong since 1995 and 1996 respectively.

Intergovernmental revenues experienced a moderate decrease from fiscal year 1999-00 to fiscal year 2000-01. This is due to the fact that the County received approximately \$2 million in grants for lake clean-up and restoration. The County received \$3,550,000 in grant funding from various governmental agencies to assist in cleaning up Lake Jackson during fiscal year 1999-00. Lake Jackson is a major lake in Leon County that was temporarily drained by a natural sinkhole and a three-year drought. The normal change reflected in this area is approximately 3% from one year to the next.

Charges for Services increased 28.65% or \$4,074,433 to \$18,291,609 in fiscal year 2000-01. This revenue source is expected to have significant variations because funds paid back to the County by the State of Florida for advanced funding for road improvements is recorded in the category. In this fiscal year the state reimbursed Leon County \$1.839 million dollars.

In four of the last five years the county experienced a moderate level of growth in **Fine and Forfeitures**. This revenue category is expected to remain constant or see a slight increase the next few years. The main factor contributing to the 16.61% increase in fiscal year 2000-01 is associated with the increase in the number, cost and types of fines. Law enforcement agencies are now issuing citations for violations recently imposed by the legislature. Additionally, they have increased the enforcement of violations for laws, which were already on the books.

The increase in **Miscellaneous Revenues** is due to an increase in interest earnings from excess revenues over expenditures of \$13 million in the special revenue funds and a return of excess fees from the Clerk and the Sheriff. This revenue category is expected to have wide fluctuations from time to time because of the changes in interest rates and the amount of excess fees received from the constitutional officers.

Similar to the fashion in which revenues are classified into major categories, as required by the State Comptroller's office, governmental fund type expenditures must also be classified into one of the following nine functional categories:

General Government - Includes the costs of services provided by the legislative, judicial and administrative branches of government for the benefit of the public and the governmental body as a whole.

Public Safety - Includes expenditures related to the security of persons and property, such as sheriff's services, medical examiner's services, fire protection and fire rescue services.

Physical Environment - Includes the costs of services necessary for the attainment of a satisfactory living environment, such as pollution control, water management, and other activities relating to the environment.

Transportation - Includes those expenditures necessary to provide for the safe and efficient flow of vehicle and pedestrian traffic throughout the County, primarily through construction and maintenance of roads.

Economic Environment - Includes costs incurred for the development and improvement of economic conditions for the community and its citizens.

Human Services - Includes expenditures for the care, treatment, and control of human illness, injury, or handicap, and for the welfare of the community as a whole, such as payments to hospitals for the medical treatment of indigents.

Culture/Recreation - Includes the costs of providing and maintaining cultural and recreational facilities throughout the County for the benefit of all County citizens. This includes the cost of operating the Leon County public library system.

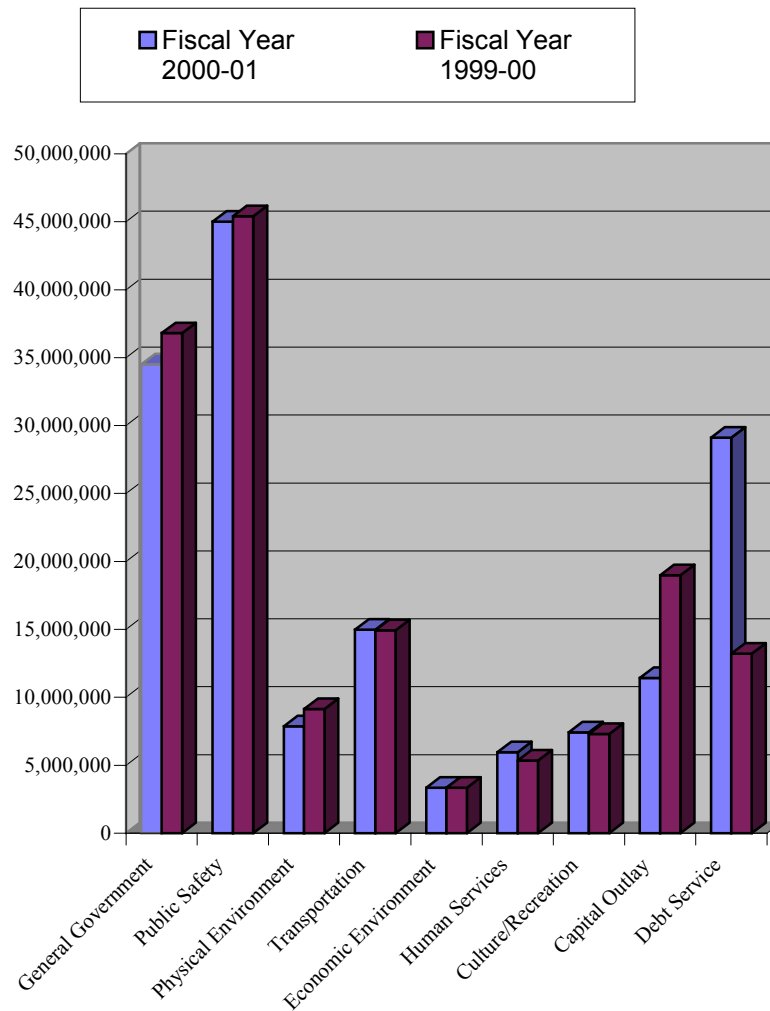
Capital Outlay - Includes expenditures for major construction projects construction of the new northeast fire station, the dredging of Lake Jackson and for various stormwater, library branches and lake protection projects.

Debt Service - Includes the costs of liquidating long-term liabilities of the County, such as principal and interest on bond issues and notes and contracts payable and related expenditures.

Utilizing the functional categories listed above, the amount of expenditures incurred in the governmental and expendable trust funds during fiscal year 2000-01, as compared to fiscal year 1999-00, was as follows:

Description	Fiscal Year 2000-01	Fiscal Year 1999-00	Increase (Decrease)	Percent Change
General Government	\$ 34,510,347	\$ 36,798,449	\$ (2,288,102)	(6.22)
Public Safety	45,007,492	45,399,836	(392,344)	(.87)
Physical Environment	7,870,695	9,143,104	(1,272,409)	(13.92)
Transportation	14,977,914	14,934,597	43,317	(.29)
Economic Environment	3,341,193	3,350,325	(9,132)	(.27)
Human Services	5,964,250	5,341,129	623,121	11.67
Culture/Recreation	7,412,996	7,312,251	100,745	1.38
Capital Outlay	11,427,400	18,988,070	(7,560,670)	(39.82)
Debt Service	29,107,462	13,219,186	15,888,276	120.19
Totals	\$ 159,619,749	\$ 154,486,947	\$ 5,132,802	3.32

The following is a graphic representation of the changes in expenditures by category from fiscal year 1999-00 to fiscal year 2000-01:



Expenditures for **General Government** functions are widely dispersed among a number of departments/activities and constitutional officers. The most significant item impacting the current year decrease is related to the prior year purchase of property surrounding Lake Jackson as part of a reverse condemnation settlement for \$3,875,000.

Although **Public Safety** expenditures experienced a slight decrease, the significant differences can be attributed to the discontinuance of the county's drill academy, the county's effort to increase the salaries of the Sheriff's Deputies and the expansion of fire services. Annual expenditures relating to the drill academy amounted to \$1.3 million. Sheriff Deputies were awarded an additional \$500,000 while fire services increased an addition \$400,000. The fire services increase can be primarily attributed to the addition of a new fire station.

The \$1,272,409 or 13.92% decrease in **Physical Environment** expenditures can be directly attributed to the County's activity with Lake Jackson. During fiscal year 1999-00, the County expended funds to repair the Lake. It was uncharacteristically drained due to a sinkhole and a statewide three-year drought. There were no major expenditures during fiscal year 2000-01 on this lake.

The slight increase in **Transportation** expenditures of \$43,317, or .29%, cannot be attributed to any major items. There were no significant changes in this area.

Expenditures in **Economic Environment** experienced a slight decrease. There were no significant changes in this area.

The expenditures in **Human Services** increased from \$5,341,129 in fiscal year 1999-00 to \$5,964,250 in fiscal year 2000-01 or 11.67%. The majority of the increase is attributable to expenditures of \$541,000 for a new federally funded community access program grant. There was also an increase of approximately \$200,000 in the Ship program.

Expenditures for **Culture/Recreation** totaled \$7,412,996 in fiscal year 2000-01, which represents an increase of only \$100,745 or 1.38% over the \$7,312,251 reported in fiscal year 1999-00. This category will vary for the next few years as the County establishes new branch libraries and park facilities.

Net **Capital Outlay** expenditures decreased by \$7,560,670, or 39.82% from \$18,988,070, in fiscal year 1999-00 to \$11,427,400, in fiscal year 2000-01. This decrease is attributed primarily to the county's efforts in the restoration of its lakes. In early 1997-98, the county issued debt to begin the task of cleaning up the lakes and to reimburse funds already expended on these projects. The funds for reimbursement were expended in fiscal year 1997-98 out of the physical environment category. The majority of the remaining funds along with the additional debt service issued in the last quarter of 1998-99 were spent during fiscal year 1999-00 to accomplish this purpose.

Although **Debt Service** expenditures vary depending on the amount of the periodic installments of principal and interest due on long-term obligations during a particular fiscal year, there is a specific reason for this change. The County obtained a loan from the Sunshine State Governmental Financing Commission in order to pay off higher interest 1991 LOS series bonds. In addition to the regular debt service payment for these bonds, the county retired over \$15 million of outstanding bonds.

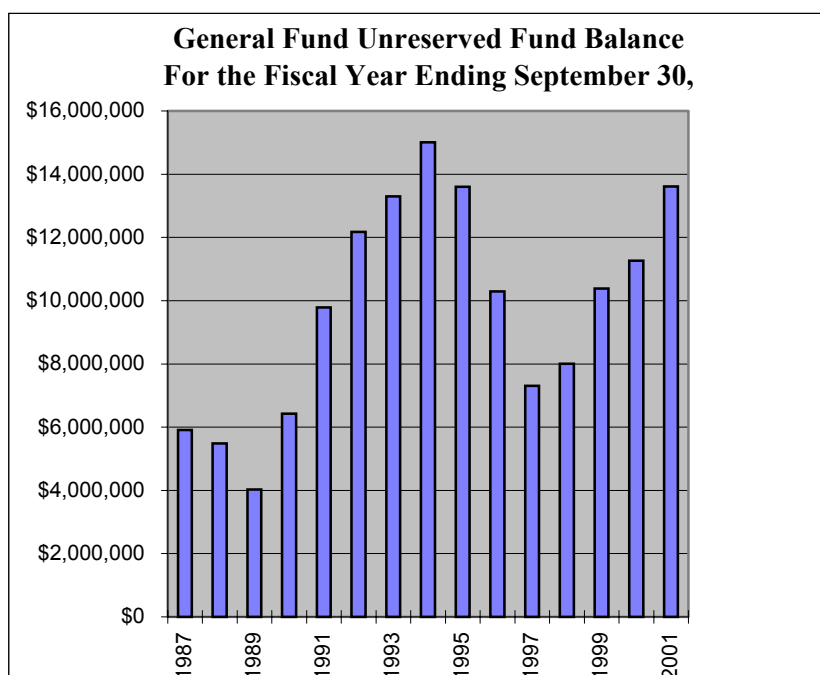
The General Fund closed the year with an unreserved fund balance of \$13,637,705. The unreserved fund balance represents the net uncommitted resources available for reappropriation to meet General Fund operational costs in subsequent fiscal years. The unreserved fund balance increased by \$2,273,681, from fiscal year 1999-00, due to the County's decision to work towards maximizing the fund balance in the General Fund.

During the fiscal year 2000-01 budget preparation the County considered several funding alternatives for services that experienced an unexpected loss of funding in fiscal year 1999-00. The County adopted one such funding alternative which was the Municipal Services Taxing unit (MSTU) for fire services. During the budget preparation for every fiscal year the County considers additional funding alternatives. Annually, the County reviews the storm water fee, charges for gas taxes, building inspection fees, and many other user fees. During the fiscal year 2001-02 budget process the Board adopted a .06 property tax mill for indigent health care expenses.

Historical trends of the County's unreserved fund balance for the past fourteen years is depicted below:

General Fund
Unreserved Fund Balance
For the Fiscal Year Ending September 30,

1987	\$ 5,911,958
1988	\$ 5,486,608
1989	\$ 4,024,978
1990	\$ 6,425,417
1991	\$ 9,784,391
1992	\$ 12,176,385
1993	\$ 13,297,913
1994	\$ 15,007,269
1995	\$ 13,600,532
1996	\$ 10,293,913
1997	\$ 7,303,200
1998	\$ 8,005,896
1999	\$ 10,378,729
2000	\$ 11,262,321
2001	\$ 13,608,560



Although the County has experienced growth in the General Fund's fund balance over the last few years, the County is reviewing liability issues to ensure that funds are available for unforeseen catastrophic events. In considering the total unrestricted funds that would be available to deal with catastrophic events, staff has determined the amount to be approximately \$30 million.

The need to plan for such an event was highlighted when the County experienced difficulty in collecting Electric Franchise Fees. The County was involved in litigation with a local utility company in which the utility company contended that the County did not have the authority to collect franchise fees for the use of its right-of-ways and that the fees collected for such purposes should be refunded. Upon summary judgment the court found the fees to be unconstitutional, but franchise fees collected since 1983 shall not be refunded. Both parties appealed the decision to the First District Court of Appeal, which affirmed the trial court ruling. As stated previously, the County has instituted a Municipal Service Taxing Unit (MSTU) for the assessment of fire services, as an alternative funding source for fire services. The County has also enacted a right-of-way rental charge ordinance. The utility company has also challenged the legality of this new ordinance, although no trial date has been set.

Debt Administration

The following is a summary of long-term debt activity for the fiscal year ended September 30, 2001:

Description	Balance October 1, 2000	Additions	Retirements	Balance September 30, 2001
Leon County Board of County Commissioners:				
Capital Improvement Revenue Bonds 1998A Series	\$ 9,710,000	\$ —	\$ —	\$ 9,710,000
Capital Improvement Revenue Bonds 1997 Series	6,355,000	—	250,000	6,105,000
Refunding Revenue Series 1993	8,140,000	—	745,000	7,395,000
Capital Improvement Revenue Bonds 1988 Series	1,605,000	—	420,000	1,185,000
Infrastructure Sales Surtax Revenue Bonds 1991 Series	19,950,000	—	19,950,000	—
Capital Improvement Refunding Revenue Bonds Series 1998B	26,595,000		1,475,000	25,120,000
Capital Improvement Revenue Bonds Series 1999	29,675,000	—	235,000	29,440,000
Sunshine State Governmental Financing Commission	—	15,960,000	—	15,960,000
Total Long-Term Debt	\$ 102,030,000	\$ 15,960,000	\$ 23,075,000	\$ 94,915,000

The \$9,710,000 Capital Improvement Revenue Bonds, Series 1998A are insured by AMBAC Indemnity Corporation and, therefore, carry AAA Fitch IBCA and Aaa Moody's Investors Service Bond Rating. These bonds have an interest cost of 5%.

The \$6,105,000 Capital Improvement Revenue Bonds, Series 1997 are insured by AMBAC Indemnity Corporation and, therefore, carry AAA Standard and Poors and Aaa Moody's Investors Service Bond Rating. The interest cost associated with these bonds range from 4.25% to 5.25%.

The \$7,395,000 Refunding Revenue Bonds, Series 1993 are insured by the Municipal Bond Investors Assurance Corporation and, therefore, carry AAA Standard and Poors and Aaa Moody's Investors Service Bond Rating. The interest cost associated with these bonds range from 3.90% to 5.50%.

The \$1,185,000 Capital Improvement Revenue Bonds, Series 1988 are insured by the Municipal Bond Investors Assurance Corporation and, therefore, carry AAA Standard and Poors and Aaa Moody's Investors Service Bond Rating. The interest cost associated with these bonds range from 6.5% to 7.35%. These bonds mature October 1, 2002.

The County exercised the October 1, 2001 call provision associated with the Series 1991, Infrastructure Sales Surtax Revenue Bonds.

The \$25,120,000 Refunding Revenue Bonds, Series 1998B are insured by the Ambac Municipal Bond Investors Insurance Corporation and, therefore, carry AAA Fitch IBCA and Aaa Moody's Investors Service Bond Rating. These bonds have an interest cost of 5.25%.

The \$29,440,000 Capital Improvement Revenue Bonds, Series 1999 are insured by the Ambac Municipal Bond Investors Insurance Corporation and, therefore, carry AAA Fitch IBCA and Aaa Moody's Investors Service Bond Rating. The interest cost associated with these bonds range from 3.5% to 5.25%.

The \$15,960,000 loan payable to the Sunshine State Governmental Financing Commission (the "Commission" represents funds borrowed from a pooled debt financing arrangement with the Commission. The County has no obligation and minimal event risk associated with the Commission other than repayment of the loan. The interest cost associated with this bond at September 30, 2001 is 3.38%.

Capital Projects Funds

The County continues to spend funds from bond proceeds and various revenue sources to improve and implement capital projects. Although there was a decrease in these expenditures during the 2000-01 fiscal year, the County remains committed to cleaning up its' lakes and improving roads. The County along with the City plans to expend over \$400 million, in present value dollars during the next fifteen years, cleaning up lakes and improving roads. Other capital improvement expenditures are reported within the appropriate governmental fund type.

Fiduciary Operations

A number of Trust and Agency funds have been established by the County to account for funds for which either the Board or one of the various constitutional officers serves as custodian. The total dollar value of transactions recorded in Trust and Agency funds during fiscal year 2000-01 approached \$480 million. The purposes for which these funds have been established vary greatly, and include such activities as property taxes collected by the Tax Collector but due to other governmental entities, child support payments collected by the Clerk of the Circuit Court, and prisoner's funds deposited with the Sheriff. Also, the Sheriff maintains a single expendable trust fund to account for the activities of the Inmate Canteen Fund, which allows prisoners to purchase items such as food and cigarettes.

Proprietary Operations

The County created its first enterprise fund to account for the operations of the County's solid waste and hazardous waste disposal divisions, concurrent with a rate restructuring designed to provide the landfill with sufficient revenues to be self supporting. During fiscal year 2000-01, operating revenues totaled \$9,813,166. Operating and maintenance expenses totaled \$9,831,612 resulting in a total operating deficit of \$18,446. Adding net non-operating revenue of \$632,971 yields a net income for the proprietary funds of \$614,525 and retained earnings at September 30, 2001 of \$19,650,705. Of the balance in retained earnings, \$8,439,460 is restricted for landfill rate stabilization, \$4,379,000 is restricted for construction of a transfer station, and \$3,665,677 has been accumulated in the internal service fund to protect against unexpected catastrophic losses.

General Fixed Assets

The general fixed assets of the County are those fixed assets used in the performance of general governmental functions and exclude those fixed assets known collectively as infrastructure, i.e., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets which are immovable and generally of value only to Leon County. Also excluded from general fixed assets are the fixed assets of enterprise and internal service funds. As of September 30, 2001, the general fixed assets of the County amounted to \$181,019,093. This amount represents the historical cost of purchased assets or the estimated fair market value at the date of acquisition of assets acquired through donation or other means. The Board of County Commissioner's accounting policy is to capitalize fixed assets with a value in excess of \$500. In light of GASB 34 the capitalization policy of the County is currently under review.

Risk Management

Risk management is the process of managing the County's activities in order to minimize the potential adverse property or losses related to liability or workers compensation claims. The main elements of the Risk Management program are risk control (loss reduction) and risk financing (restoration of the economic damages of losses incurred). Pursuant to commission action, the Risk Management function was created to review and identify areas of risk, loss, and insurance coverage for each participant. This function is also charged with the establishment and implementation of a safety plan, which incorporates loss prevention and safety standards. In addition, the function establishes standard insurance and indemnification provisions for contracts, leases, and other special use agreements entered into by the participating governments.

During fiscal year 2000-01, the Board authorized staff to secure insurance brokerage services to eliminate potentially overlapping and/or gaps in protection with anticipated cost savings and increased operating efficiency. The County remains self-insured for automobile liability, but added physical damage coverage to vehicles valued at \$25,000 or greater. The County now purchases commercial coverage (rather than risk pooling through Florida Association of Counties Trust) for general liability and has extended its pollution liability coverage to include the activities related to herbiciding and pesticiding.

Presently, the County's risk management program calls for self-insuring many types of risk, subject to the following limitations:

Type of Risk	Amount of Risk Retained by County	Limit of Excess Insurance Coverage
Workers Compensation	\$400,000	Statutory
General Liability ⁽¹⁾	\$10,000	\$100/\$200,000
Automobile Liability	\$25,000	\$25,001-\$500,000
Property Actual Loss	\$25,000	Actual Loss

⁽¹⁾ Does not include coverage obtained by the Leon County Sheriff.

The limits stated above are on a per occurrence basis. For a schedule of Insurance in Force as of September 30, 2001, please see the Statistical Section of this report.

Cash Management

Each constitutional officer exercises cash management independently. With respect to the Board of County Commissioners, the Clerk of the Circuit Court serves as custodian of County funds and disburses funds on their behalf as required by law, and applicable management directives. During fiscal year 1992-93, the Board of County Commissioners adopted the County's first comprehensive investment policy. Cash temporarily idle during the year was invested in time and demand deposits, and in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The County contracts with an investment manager to assist the County with the investment of temporarily idle funds.

Interest rates and maturities (from the date of purchase) on securities purchased by the County during fiscal year 2000-01 were as follows:

Description	Days to Maturity		Interest Rate	
	Low	High	Low	High
Federal Agencies and Discount Notes	360	1,705	5.46	7.02
Federal Home Loan Mortgage Corporation Discount Notes	274	762	4.54	7.09
United States Treasury Notes	315	1,584	5.25	6.57
Corporate Bonds	244	1,111	5.12	7.04

All Federal Agencies and Discount Notes purchased during the year were held in Leon County's name in a trust account established by the County's custodial bank, First Union National Bank of North Carolina. These investments are also classified for the purpose of financial statement presentation in risk categories as defined by the Governmental Accounting Standards Board.

Funds deposited in local banks and savings and loan associations were secured by a pledge of approved collateral securities by the participating institutions with the State Treasurer's office. In addition, funds were invested in the Local Government Surplus Funds Trust Fund in order to take advantage of the higher yields and greater liquidity available therein.

Interest income in the Governmental Funds totaled \$10,199,968 during the year, which represents an increase of \$1,551,703, or 17.94% over the \$8,648,265 recorded in fiscal year 1999-00. This increase can be attributed primarily to the fact that the market yield rates were up from the previous year and the County had more funds available for investment due to a lag time in the utilization of bond proceeds. Consequently, the County anticipates a decrease in earnings the next fiscal year because of a decline in the market yield in rates.

Major Initiatives

While the County had many accomplishments to report during fiscal year 2000-01, some of the more significant items include:

- The Board of Commissioners decided to put a charter government referendum on the fall 2002 ballot.
- Continued funding for lake restorations
- Continued initiatives to widen major roads to accommodate growth
- Consideration of long term facility needs
- Adoption of blueprint 2000 a plan to deal with transportation and environmental issues.

The Board's decision to place the charter government referendum before the voters in the fall 2002 election is an effort to allow county government to operate from home rule. This will provide the citizens of Leon County with the flexibility of determining the form of government they deem necessary to serve them. Although the current proposed charter does not materially change the organizational structure, it will provide greater flexibility for the County to conduct its' own affairs. Also, a charter will provide flexibility in the diversification of revenues. The primary benefit that the County seeks for this is to have the ability to respond to changes in the economy. To the extent possible, the County would implement this item as revenue neutral.

The adoption of the blueprint 2000 plan, along with voter approval to extend the one percent sales tax for fifteen years will allow the community of Leon County to address major transportation and environmental needs. The current present value estimate of sales tax revenues from this item is \$404 million. The County and City will each receive ten-percent of the funds, while eighty-percent will be allocated for funding of projects listed in the blueprint 2000 plan.

Prospects for the Future

Over the past several years, the County has become more reliant on taxes (which includes property or ad valorem taxes, municipal services tax, local option gas taxes, other local taxes, and franchise fees) as a means of financing the operations of the County. Specifically, during fiscal year 2000-01, taxes accounted for 61% of total revenues. However, given the relatively onerous provisions of Florida's legislation, which essentially provides for exemptions in various circumstances of assessed value from property taxation, it has been estimated that in Leon County, as much as 60% of the parcels of property are exempt from property taxes in some manner. The major exemption in assessed value is attributable to federal, state and local governmental owned property.

In an effort to more equitably distribute the burden of paying for governmental services, effective October 1, 1991, the County implemented a system wherein, subject to certain criteria, each structure within the County is assessed a flat fee for storm water. This "fee" is incorporated on the property tax bill and distributed as part of the ad valorem tax bills in November of each year. Additionally if the Boards' initiative to place a charter government referendum on the 2002 ballot is approved, the County will see an improvement in its' ability to more equitably distribute the responsibility of paying for governmental services.

Economic Condition and Outlook

The unemployment rate for Leon County is low. It is important to the economy that interest rates remain low enough to maintain the sales volume of existing homes and encourage building investment. Excluding new revenue sources, any additional revenues to Leon County must come from property value assessments of new construction. Since inflationary pressures are subdued, retail sales remain constant in Leon County. Projections of population growth indicate growth in Leon County will occur at a slower rate in future fiscal years.

The Governor of the State of Florida has started an initiative to reduce the number of state jobs. It is uncertain as to how this plan will impact the job market. The plan calls for a 25% reduction of state employees. Currently, the State employs over 28% of the employees in Leon County. If this plan were successful, a 7% reduction in jobs would have a stifling effect on the job market here. Additional consideration has to be given as to how it will impact surrounding counties. Even by the year 2002, projections show a slowing of annual population growth. The planning of a new development, Southwood Plantation could have a positive impact on the population growth in Leon County. Phase one of this project, (from 1999 through 2009) proposes 1,800 dwelling units. This represents housing for over 3,700 people, with projected employment nearing 3,400 people. The full development has plans for 4,770 dwelling units, housing almost 9,500, and providing permanent non-construction employment for almost 12,000. The development is planned for completion in the year 2019.

In an effort to mitigate some of these changes, the Leon County and City of Tallahassee Commissions adopted a Targeted Business Pilot Program (TBPP) to induce business growth that would be beneficial to our County and City. This program is designed to help implement the City's and County's long-term vision for economically viable and environmentally sustainable growth. The TBPP offers incentives to new and existing businesses that create value-added jobs within Leon County. The program seeks to reward businesses that will diversify the economy, are suited to the City's and County's business mix, and will generate growth from the sales of goods and services outside the local economy. The program also seeks to reward businesses that locate in designated target areas for economic growth and development; that build environmentally sensitive projects; that do business with other local businesses; and that practice good corporate citizenship. The program is being implemented as a three-year pilot program that will be evaluated on an annual basis.

Independent Audit

Section 218.39, Florida Statutes, requires a financial audit of the annual financial statements of Leon County by an independent Certified Public Accountant selected by the Board of County Commissioners and paid from County funds. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act amendments of 1996 and the related U.S. Office of Management and Budget's Circular A-133 and the newly enacted Florida Single Audit Act. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement.

The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports on compliance and on internal control over financial reporting can be found in the other reports section of this document and in a separately issued single audit report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental agencies for its comprehensive annual financial report for their fiscal year. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Leon County received this Certificate for the first time in the history of the county on the fiscal 1995-96 statements and has repeated every year since. It is my belief that our current report conforms to the Certificate of Achievement Program requirements. This report will also be submitted to the GFOA to determine its eligibility for a Certificate.

In addition, Leon County has received the GFOA's award for Distinguished Budget Presentation for its annual appropriated budget for fiscal year 2000-01. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgments

A comprehensive annual financial report of this nature could not have been prepared without the efficient and dedicated service of all staff members involved. I would like to express my appreciation to the staff of the Finance Department for their efforts in producing this report, and to the accounting firms of Thomas Howell Ferguson P.A. and Law, Redd, Crona, & Munroe P.A. for their contributions to the design, preparation and publication of this document. Finally, my thanks for the interest and support of the Clerk of the Circuit Court and the Board of County Commissioners in planning and conducting the fiscal operations of Leon County.

Respectfully submitted,



Bill Bogan Jr., CPA, CGFO
Finance Director

