

Independent Auditors' Report

The Honorable Board of County Commissioners
Leon County, Florida

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Leon County, Florida (the "County") as of and for the fiscal year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, and the aggregate remaining fund information of the Leon County, Florida, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2005 on our consideration of the County's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Thomas Howell Ferguson P.A.

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

January 10, 2005

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, 2004. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. We trust that this, in conjunction with additional information provided in our letter of transmittal (pages xii–pages xviii), will assist readers in identifying significant financial issues and in future years, changes in the County's financial position. In this Management's Discussion and Analysis ("MD&A"), all amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Infrastructure Assets

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

Condensed Statement of Net Assets

The investment in capital assets, net of related debt is the largest portion of the net assets. This represents capital assets (land, buildings, improvements, equipment, furniture, vehicles, and construction in progress, and infrastructure), net of accumulated depreciation, and the outstanding related debt used to acquire the assets in the amount of \$247.3 million as compared to \$243.4 million a year ago; this is an increase of \$ 3.9 million. Capital assets net of related debt continued to increase. This is because the County paid approximately \$9 million in debt, while the depreciation on the related assets was \$5 million. The net effect of this transaction is an increase in net assets of almost \$4 million. These capital assets are used to provide services to the citizens and businesses in the County; consequently, these net assets are not available for future spending. The remaining portion of net assets is unrestricted and can be used to finance government operations.

Condensed Statement of Net Assets (continued)

Table 2 below presents the County's condensed Statement of Net Assets as of September 30, 2004 and 2003, derived from the government-wide Statement of Net Assets.

Table 2 Leon County, Florida Summary of Net Assets As of September 30 <i>(in thousands)</i>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$139,476	\$130,554	\$14,126	\$14,519	\$153,602	\$145,073
Capital assets	292,001	296,563	17,446	17,596	309,447	314,159
Total assets	431,477	427,117	31,572	32,115	463,049	459,232
Current liabilities	28,368	24,293	959	817	29,327	25,110
Non-current liabilities	87,823	95,971	10,989	10,823	98,813	106,794
Total liabilities	116,191	120,264	11,948	11,640	128,140	131,904
Net assets:						
Invested in capital assets, net of related debt	235,118	231,075	12,150	12,369	247,268	243,444
Unrestricted	80,167	75,778	7,474	8,106	87,641	83,884
*Total net assets	<u>\$315,285</u>	<u>\$306,853</u>	<u>\$19,624</u>	<u>\$20,475</u>	<u>\$334,909</u>	<u>\$327,328</u>
*Differences due to rounding						

Condensed Statement of Activities

Table 3 on the next page presents the County's condensed Statement of Activities for the fiscal years ended September 30, 2004 and 2003, as derived from the government-wide Statement of Activities. Overtime, increases and decreases in net assets may measure whether the County financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased by \$7.6 million or 2.3 percent, and the net assets of the business-type activities decreased by \$.851 million or 4.2 percent.

Although the overall increase in the net assets of the governmental activities was modest, several significant changes occurred. First the Board of County Commissioners adopted an ordinance levying a Utility Services Tax on the unincorporated area of Leon County. In its first full year of implementation, the tax generated \$4,605,000 of revenues. Concurrent with the adoption of this tax, the County eliminated a Municipal Services Taxing Unit in the unincorporated area. This tax was used to pay for fire services in the unincorporated areas of Leon County. In FY 2003, the MSTU raised \$3,736,684.

The County also adopted a Communications Services Tax in FY 2003. This is the first full year of assessments with the tax and in FY 2004 this tax generated \$2,498,000. Property values have been increasing significantly for the past several years. Taxable values lag the increase in property values for several reasons. First, the Property Appraiser does not have the resources to continually evaluate each property each year. Second, Florida passed the save our homes amendment in the mid 90's. This limits the increased in taxable values a homestead property can be assessed to no greater than 3%. Even with these limitations, property tax revenues for the County increased by 8.6%

Interest rates in FY 2004 continue to be low. The County investment policy is very risk averse and places a premium on security. Accordingly, the investment portfolio is very liquid and in high credit quality instruments. With short term interest rates averaging slightly over 1% for the year, the overall return on the portfolio was also low by historical standards. Investment earnings declined by \$.839 million to \$2.399 million. Additional information on investment income is provided in Note IV of the notes and in the Cash Management section of the Letter of Transmittal.

In 1989 the voters of Leon County passed a 1% sales tax to be divided between the City and County. The tax was for 15 years, expiring in November 2004. The county's share of this revenue was dedicated to the construction of a jail and for various transportation improvements. Many of the transportation projects funded by the County were advance funding of State roads. The County entered into several Joint Participation Agreements with the Florida Department of Transportation (FDOT) that provided that the County would be reimbursed as resources became available. As of September 30, 2004, the remaining values of these agreements were \$35 million. The County expects to receive \$15 million in September 2006 and \$13 million in September 2008. With the 1 cent sales tax ending, the County did not enter into any advance funding arrangements with FDOT this year. Accordingly, transportation expenses declined by \$16.322 million or 79.8%. Please see Note XIV Commitments and Contingencies for further details.

Additionally, the increase in expenditures for culture and recreation is associated with the County's continued efforts to expand its library and park services. Expenditures in the economic environment area can be attributed to the SHIP housing program. The State of Florida increased the appropriations of SHIP funding to local governments in an effort to provide adequate housing to low income individuals. Additionally, Leon County increased the amount of funding available to the participants in this program in an effort to address the rising cost of housing.

Miscellaneous revenues are made up of a basket 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.

Leon County, Florida Condensed Statement of Activities For Fiscal Year Ended September 30 <i>(in thousands)</i>							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change 2003 to 2004
	2004	2003	2004	2003	2004	2003	
Revenues							
Program Revenues							
Charges for Services	\$23,033	\$29,601	\$6,665	\$6,136	\$29,698	\$35,737	(16.9%)
Operating Grants & Contributions	7,075	6,852	—	—	7,075	6,852	3.3%
Capital Grants & Contributions	879	341	—	—	879	341	157.8%
Total Program Revenues	30,987	36,794	6,665	6,136	37,652	42,930	(12.3%)
General Revenues:							
Property taxes	88,054	81,053	—	—	88,054	81,053	8.6%
Local option taxes	16,536	18,463	—	—	16,536	18,463	(10.4%)
Local option tourist tax	2,133	2,009	—	—	2,133	2,009	6.2%
Franchise taxes	373	412	—	—	373	412	(9.5%)
Communications services taxes	2,498	977	—	—	2,498	977	155.7%
Motor fuel taxes	1,279	1,255	—	—	1,279	1,255	1.9%
Local option fuel taxes	3,345	3,280	—	—	3,345	3,280	2%
Utility services taxes	4,605	—	—	—	4,605	—	N/A
Other taxes	737	706	1,245	1,226	1,982	1,932	2.6%
State shared revenues	21,333	19,945	—	—	21,333	19,945	7%
Investment earnings	2,399	3,075	182	345	2,581	3,420	(24.5%)
Miscellaneous revenues	4,763	3,425	—	15	4,763	3,440	38.43%
Total general revenues	148,055	134,600	1,427	1,586	149,482	136,186	9.8%
Total revenues	179,042	171,394	8,092	7,722	187,134	179,116	4.5 %
Program Expenses							
General government	36,720	36,448	—	—	36,737	36,448	.8%
Public safety	65,116	49,917	—	—	65,116	49,917	30.4%
Physical environment	10,565	9,086	9,176	7,153	19,741	16,239	21.6%
Transportation	20,450	36,772	—	—	20,450	36,772	(79.8%)
Economic environment	3,879	3,108	—	—	3,879	3,108	24.8%
Human services	8,657	8,305	—	—	8,657	8,305	4.2%
Culture and recreation	10,332	9,484	—	—	10,332	9,484	8.9%
Judicial	9,933	8,900	—	—	9,933	8,900	11.6%
Interest on long term debt	4,725	4,487	—	—	4,725	4,487	5.3%
*Total program expenses	170,377	166,507	9,176	7,153	179,553	173,660	3.4%
Excess (deficiency) before transfers (net)	8,665	4,887	(1,084)	569	7,581	5,456	38.9%
Transfers	(233)	23	233	(23)	—	—	N/A
Change in net assets	8,432	4,910	(851)	546	7,581	5,456	38.9%
Beginning net assets	306,853	301,943	20,475	19,929	327,328	321,872	1.7%
Ending net assets	<u>\$315,285</u>	<u>\$306,853</u>	<u>\$19,624</u>	<u>\$20,475</u>	<u>\$334,909</u>	<u>\$327,328</u>	<u>2.3%</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 from fiscal year 2003 to fiscal year 2004 by 4 percent. It should be considered normal for the activities and associated program revenues to fluctuate plus or minus 4 to 5 percent from year to year. In June 2004 the County was relieved of the responsibility for funding most of the judicial responsibilities and fees were increased to generally make it self sufficient.

Table 4 Program Expenses and Revenues for Governmental Activities For the Fiscal Year Ended September 30 (in thousands)						
County Programs	Program Expenses 2004	Less Program Revenues 2004	Net Program Expenses (a)		Program Revenues as a Percentage of Program Expenses	
			2004	2003	2004	2003
General government	\$36,720	\$7,727	\$28,993	\$28,269	21%	22%
Public safety	65,116	10,446	54,670	43,929	16%	12%
Physical environment	10,565	3,052	7,513	6,002	29%	34%
Transportation	20,450	327	20,123	25,574	2%	31%
Economic environment	3,879	1,113	2,766	2,304	29%	26%
Human services	8,657	824	7,833	7,921	10%	5%
Culture and recreation	10,332	782	9,550	8,362	8%	12%
Judicial	9,933	6,717	3,216	2,865	68%	68%
Interest on long term debt	4,725	---	4,725	4,487	N/A	N/A
*Total governmental activities	\$170,377	\$30,988	\$139,389	\$129,713	18%	22%

(a) Net Program Expenses are mainly supported by taxes. *Differences due to rounding

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program and revenues for business-type activities. Revenues were not sufficient to cover program expenses in FY 2003/2004 because just in FY 2002/2003 the County chose to spend a portion of retained earnings to abate any fee increases. The County in an effort to keep garbage fees level chose to utilize a portion of its reserves to cover tipping fees. In addition to the program revenues for the landfill, the County has a non-ad valorem assessment to citizens residing outside the city limits for the City of Tallahassee. Approximately \$1 million was taken from reserves to fund landfill activities.

Table 5 Program Expenses and Revenues For Business-type Activities For the Fiscal Year Ended September 30, 2004 (in thousands)						
County Programs	Program Expenses 2004	Less Program Revenues 2003	Net Program Revenues		Program Expenses as a Percentage of Program Revenues	
			2004	2003	2004	2003
Physical environment	\$ 9,176	\$ 6,665	\$ (2,511)	\$ (1,017)	73%	86%

Overall Analysis

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

- The assets of the County exceeded its liabilities (net assets) at the close of fiscal year 2004 by \$315,258,319 as compared to \$306,853,150 for fiscal year 2003 for governmental activities. The assets for Business-type activities exceeded its liabilities (net assets) at the close of fiscal year 2004 by \$19,623,962 as compared to \$20,474,782 for fiscal year 2003. Please see the Statement of Activities discussed previously for an explanation of the differences above.
- The County's total net assets increased by \$7,581,349 during fiscal year 2004 as compared to \$5,455,538 in fiscal year 2003. Net assets of governmental activities increased by \$4,910,047 in fiscal year 2003 as compared to \$8,432,169 in 2004. Conversely, net assets of business-type activities decreased by \$850,820 in fiscal year 2004 versus an increase of \$545,491 in 2003. Although charges for services in Business-type activities were not sufficient to cover the program expenses, this decrease was a result of the County making a decision to spend some of its' reserves to abate an increase in solid waste tipping fees.

Fund Analysis

The following funds experienced significant changes during the year:

Governmental Funds

As of the close of fiscal year 2004, the County's governmental funds reported a combined ending fund balance of \$120,843,721 as compared to \$120,047,663 for fiscal year 2003. All but \$7,480,160 for fiscal year 2004 as compared to \$3,816,738 for fiscal year 2003 is reported as unreserved. The reserved fund balance is increasing because the County is advance funding the new local option tax to jump start some of its projects.

The General Fund of the Board of County Commission as displayed on the Combining Balance Sheet contains both Countywide General Revenue funds and the Non-Countywide General Revenue funds. The sole purpose of the Non-Countywide General Revenue funds is to capture discrete revenues and transfer those revenues to the various funds needing support (i.e. various Debt Service, Municipal Services, Growth Management, etc.). The Non-Countywide General Revenue funds do not contain any countywide property tax revenues. The actual year ending available balance for the Countywide General Revenue funds and the Non-Countywide General Revenue funds are \$16,379,594 and \$3,474,646 respectively.

General Fund

Fund balance at September 30, 2003 totaled \$18,873,135 compared to \$19,854,240 for September 30, 2004. This was an increase of \$981,105 during the fiscal year. Normally an increase in the fund balance is attributed to the County's policy to build its fund balance to deal with emergencies in future years. On November 23, 1999, the County Commission adopted a Reserve Policy No. 99-3 which provided for an annual unappropriated fund balance at no less than (10%) ten percent of general operating revenues. This year however, the county budgeted approximately \$1.5 million of its reserves to pay for capital expenditures. The policy allows the county to utilize some of its reserves for one time expenditures. Although the county planned to utilize part of its reserves, excess fees from constitutional officers were significantly more than anticipated and is the sole reason for the increase in fund balance this year.

Fine & Forfeiture

Fund balance at September 30, 2004 totaled \$5,962,856 as compared to \$4,890,068 for September 30, 2003. This is an increase of \$1,072,788 for the fiscal year. This increase can be attributed to the same policy associated with building the fund balance in the general fund as well as the return of revenues from constitutional officers that was higher than anticipated.

Local Option Sales Tax

Fund balance at September 30, 2003 totaled \$49,470,812 as compared to \$51,179,301 for September 30, 2004. This was an increase of \$1,708,489. This increase can be attributed to the fact that the County continued to receive significant revenues in this area while the activities associated with expenditures saw a decline. These are appropriated funds that the County expects to expend in future years.

Proprietary Funds

The County's proprietary funds reported net assets of \$20,474,782 for September 30, 2003 as compared to \$19,623,962 for September 30, 2004, which is a decrease of \$837,883. This decrease can be attributed to the difference of business expenditures over revenues.

Budget Variances in the General Fund

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

Capital Asset and Long-term Debt Activity

Capital Asset Activity

At September 30, 2003, the County reported \$291,188,271 in capital assets for governmental activities and \$12,369,261 in capital assets for business-type activities versus \$292,000,814 for governmental and \$12,150,163 for business-type activities at fiscal year ending September 30, 2004. Please refer to Note VI in Notes to the Financial Statements for additional information on capital assets and Note XIV in Notes to the Financial Statements for additional information on construction commitments.

Debt Administration Activity

At September 30, 2003, the County had \$98,110,000 of outstanding bonded debt as compared to \$88,965,000 for 2004. All of the County's debt is secured by specific general fund revenues including sales tax, state revenue sharing, and specific other general fund revenues. The County has no general obligation bonds, which would be backed by the full faith and credit of the County. For more information on long-term debt activity, please see Note VIII on Long Term Obligations in the notes to the Financial Statements of the CAFR.

Economic Factors

- The estimated population in Leon County increased 3.3% from 255,500 to 263,896 during FY 2003/2004.
- Detached single-family homes remain the most popular type of housing in Leon County, representing over 45% of all units permitted since 1990 and over 43% of all constructed (non-mobile homes) housing units during 2004. This type of housing is particularly popular in the northern and eastern portions of the community.
- Leon County has seen an increase in the vacancy rate for apartment rental units from 2.3% in 1999 to 6.1% for 2004. This increase can be attributable to the following factors; (1) the fall of interest rates has made home ownership more affordable to citizens and (2) there has been a significant increase in new development of the apartment market.

Request for Information

This financial report is designed to provide a general overview of Leon County Government's finances for all those with an interest in our government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Clerk of Circuit Court, Finance Department Leon County, P.O. Box 726, Tallahassee Florida 32302. Requests can also be made telephonically at (850) 577-4020 or fax at (850) 488-8257. We also suggest visiting our web-site at www.clerk.leon.fl.us for further financial information.

Leon County, Florida
Statement of Net Assets
September 30, 2004

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets:				
Current assets				
Cash	\$ 11,978,749	\$ 72,915	\$ 12,051,664	\$ 493,435
Investments	115,877,989	12,769,035	128,647,024	-
Receivables	8,589,986	1,283,892	9,873,878	-
Receivables from other governments	2,594,170	-	2,594,170	-
Inventory	426,825	-	426,825	-
Other assets	8,054	-	8,054	965
Total current assets	139,475,773	14,125,842	153,601,615	494,400
Noncurrent assets:				
Restricted assets:				
Cash and investments	-	5,296,344	5,296,344	-
Capital assets:				
Land and construction in progress				
non-depreciable	32,888,468	2,409,843	35,298,311	-
Depreciable (net)	259,112,346	9,740,220	268,852,566	-
Total noncurrent assets	292,000,814	17,446,407	309,447,221	-
Total assets	431,476,587	31,572,249	463,048,836	494,400
Liabilities:				
Current liabilities				
Accounts payable	7,872,879	910,635	8,783,514	71
Payable to other governments	507,670	-	507,670	98
Internal balances	(5,999)	5,999	-	-
Capital lease obligations	38,366	-	38,366	-
Accrued compensated absences	3,078,017	42,067	3,120,084	-
Deferred revenues	5,567,000	-	5,567,000	-
Bonds payable	8,306,148	-	8,306,148	-
Other current liabilities	3,004,000	-	3,004,000	-
Total current liabilities	28,368,081	958,701	29,326,782	169
Noncurrent liabilities				
Deposits	322,161	-	322,161	-
Estimated liability for landfill closure and postclosure care costs	-	10,900,889	10,900,889	-
Arbitrage rebate liability	250,596	-	250,596	-
Accrued compensated absences	6,585,031	88,697	6,673,728	-
Capital lease obligations	6,547	-	6,547	-
Bonds payable	80,658,852	-	80,658,852	-
Total noncurrent liabilities	87,823,187	10,989,586	98,812,773	-
Total liabilities	116,191,268	11,948,287	128,139,555	169
Net assets:				
Invested in capital assets, net of related debt	235,117,858	12,150,063	247,267,921	-
Unrestricted	80,167,461	7,473,899	87,641,360	494,231
Total net assets	\$ 315,285,319	\$ 19,623,962	\$ 334,909,281	\$ 494,231

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

Leon County, Florida
Statement of Activities
Year Ended September 30, 2004

	Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operational Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 36,720,050	\$ 6,093,519	1,633,104	\$ -
Public safety	65,116,255	7,241,632	3,204,484	-
Physical environment	10,564,723	1,877,278	1,174,550	-
Transportation	20,449,804	308,139	18,611	-
Economic environment	3,878,773	727,204	386,055	-
Human services	8,656,713	-	286,488	537,252
Culture and recreation	10,332,395	254,030	186,056	341,551
Judicial	9,932,701	6,531,159	186,011	-
Interest on long term debt	4,725,347	-	-	-
Total governmental activities	170,376,761	23,032,961	7,075,359	878,803
Business-type activities:				
Landfill	9,175,963	6,664,197	-	-
Amtrack Station	-	1,314	-	-
Total business-type activities:	9,175,963	6,665,511	-	-
Total primary government	\$ 179,552,724	\$ 29,698,472	\$ 7,075,359	\$ 878,803
Component Unit:				
General government	34,115	4,673	-	-
Total component unit	\$ 34,115	\$ 4,673	\$ -	\$ -

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

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

Net Revenue (Expense) and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Unit
			Housing Finance Authority
\$ (28,993,427)	\$ -	\$ (28,993,427)	\$ -
(54,670,139)	-	(54,670,139)	-
(7,512,895)	-	(7,512,895)	-
(20,123,054)	-	(20,123,054)	-
(2,765,514)	-	(2,765,514)	-
(7,832,973)	-	(7,832,973)	-
(9,550,758)	-	(9,550,758)	-
(3,215,531)	-	(3,215,531)	-
(4,725,347)	-	(4,725,347)	-
(139,389,638)	-	(139,389,638)	-
-	(2,511,766)	(2,511,766)	-
-	1,314	1,314	-
-	(2,510,452)	(2,510,452)	-
(139,389,638)	(2,510,452)	(141,900,090)	-
-	-	-	(29,442)
-	-	-	(29,442)
88,053,924	-	88,053,924	-
18,668,921	-	18,668,921	-
373,401	-	373,401	-
2,498,410	-	2,498,410	-
1,278,517	-	1,278,517	-
3,345,192	-	3,345,192	-
4,605,283	-	4,605,283	-
737,090	1,244,679	1,981,769	-
21,332,668	-	21,332,668	-
2,398,476	182,043	2,580,519	6,728
4,762,835	-	4,762,835	-
(232,910)	232,910	-	-
147,821,807	1,659,632	149,481,439	6,728
8,432,169	(850,820)	7,581,349	(22,714)
306,853,150	20,474,782	327,327,932	516,945
\$ 315,285,319	\$ 19,623,962	\$ 334,909,281	\$ 494,231

Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2004

	General Fund	Fine & Forfeiture	Local Option Sales Tax
Assets:			
Cash	\$ 3,128,159	\$ 651,124	\$ 202,808
Investments	24,255,026	3,619,799	53,335,176
Receivables			
Accounts	180,973	-	358,905
Intergovernmental	1,562,265	10,292	1,030,392
Special assessments	-	-	-
Due from other funds	3,076,943	2,054,167	-
Inventory	393,231	-	-
Other assets	5,528	-	-
Advances to other funds	20,000	-	2,861,138
Total assets	<u>\$ 32,622,125</u>	<u>\$ 6,335,382</u>	<u>\$ 57,788,419</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 2,503,242	\$ 92,252	\$ 581,047
Accrued liabilities	1,617,310	-	-
Intergovernmental payables	194,791	-	-
Due to other funds	8,352,610	226,050	6,028,071
Deposits	99,932	54,224	-
Deferred revenues	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>12,767,885</u>	<u>372,526</u>	<u>6,609,118</u>
Fund balances:			
Reserved for encumbrances	-	-	1,506,702
Reserved for advances to other funds	20,000	-	2,861,138
Reserved for records modernization	-	-	-
Reserved for training	-	-	-
Reserve for special projects	-	-	-
Reserve for inmate expenditures	-	-	-
Unreserved, reported in:			
General fund	19,834,240	-	-
Special revenue funds	-	5,962,856	-
Debt service funds	-	-	-
Capital project funds	-	-	46,811,461
Total fund balances	<u>19,854,240</u>	<u>5,962,856</u>	<u>51,179,301</u>
Total liabilities and fund balances	<u>\$ 32,622,125</u>	<u>\$ 6,335,382</u>	<u>\$ 57,788,419</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,800,289	\$ 10,782,380
31,413,233	112,623,234
1,308,032	1,847,910
4,139,127	6,742,076
2,516,138	2,516,138
13,346,839	18,477,949
6,827	400,058
2,526	8,054
-	2,881,138
<u>\$ 59,533,011</u>	<u>\$ 156,278,937</u>

\$ 2,513,179	\$ 5,689,720
398,837	2,016,147
299,470	494,261
3,878,058	18,484,789
168,005	322,161
5,567,000	5,567,000
2,861,138	2,861,138
<u>15,685,687</u>	<u>35,435,216</u>

1,162,757	2,669,459
-	2,881,138
1,295,847	1,295,847
88,594	88,594
147,369	147,369
397,753	397,753
-	19,834,240
17,548,584	23,511,440
163,850	163,850
23,042,570	69,854,031
<u>43,847,324</u>	<u>120,843,721</u>
<u>\$ 59,533,011</u>	<u>\$ 156,278,937</u>

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

September 30, 2004

Total fund balances of governmental funds			\$ 120,843,721
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets are \$ 480,241,326 and the accumulated depreciation is \$ 188,240,512.			
			292,000,814
Internal service funds are used by management to charge the costs of gasoline, vehicle repair, risk management, and telephone services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			
			1,364,341
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities.			
	Noncurrent liabilities due within one year	\$ (11,423,642)	
	Noncurrent liabilities due in more than one year	(87,499,915)	(98,923,557)
Total net assets of governmental activities			<u>\$ 315,285,319</u>

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



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Leon County, Florida

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

Year Ended September 30, 2004

	General Fund	Fine & Forfeiture	Local Option Sales Tax
Revenues:			
Taxes	\$ 37,463,788	\$ 47,532,839	\$ 12,454,138
Licenses and permits	227,650	-	-
Intergovernmental	18,514,296	45,576	-
Charges for services	10,093,110	727,409	-
Fines and forfeitures	-	1,366,890	-
Interest	700,758	191,163	840,395
Miscellaneous	315,610	-	11,152
Total revenues	<u>67,315,212</u>	<u>49,863,877</u>	<u>13,305,685</u>
Expenditures:			
Current			
General government	29,506,040	-	-
Public safety	43,962,009	-	1,345,243
Physical environment	1,672,002	-	257,344
Transportation	-	-	10,015,481
Economic environment	899,834	-	-
Human services	3,447,716	-	-
Culture and recreation	6,459,286	-	-
Judicial	5,190,824	5,083,527	-
Debt Service			
Principal retirement	36,848	-	-
Interest and fiscal charges	2,629	-	-
Other debt service costs	-	-	-
Total expenditures	<u>91,177,188</u>	<u>5,083,527</u>	<u>11,618,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,861,976)</u>	<u>44,780,350</u>	<u>1,687,617</u>
Other financing sources (uses):			
Transfers in	48,045,750	3,725,399	20,872
Transfers out	<u>(23,202,669)</u>	<u>(47,432,961)</u>	<u>-</u>
Total other financing sources (uses)	<u>24,843,081</u>	<u>(43,707,562)</u>	<u>20,872</u>
Net change in fund balance	981,105	1,072,788	1,708,489
Fund balances, October 1	<u>18,873,135</u>	<u>4,890,068</u>	<u>49,470,812</u>
Fund balances, September 30	<u>\$ 19,854,240</u>	<u>\$ 5,962,856</u>	<u>\$ 51,179,301</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 22,109,973	\$ 119,560,738
2,681,633	2,909,283
10,189,706	28,749,578
10,036,753	20,857,272
830,369	2,197,259
614,406	2,346,722
4,436,072	4,762,834
<u>50,898,912</u>	<u>181,383,686</u>
5,321,777	34,827,817
19,454,527	64,761,779
11,773,289	13,702,635
8,948,052	18,963,533
2,976,857	3,876,691
5,576,820	9,024,536
3,437,250	9,896,536
1,664,645	11,938,996
9,145,000	9,181,848
4,721,179	4,723,808
1,539	1,539
<u>73,020,935</u>	<u>180,899,718</u>
<u>(22,122,023)</u>	<u>483,968</u>
24,668,227	76,460,248
<u>(5,512,528)</u>	<u>(76,148,158)</u>
<u>19,155,699</u>	<u>312,090</u>
(2,966,324)	796,058
<u>46,813,648</u>	<u>120,047,663</u>
<u>\$ 43,847,324</u>	<u>\$ 120,843,721</u>

Leon County, Florida

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

September 30, 2004

Net change in fund balances - total governmental funds	\$ 796,058
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. This is the amount by which capital outlay (\$ 15,571,843) exceeded depreciation (\$14,759,299).	812,544
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 governmental funds. (compensated absences increase \$ 1,070,556)	(1,070,556)
Repayments of bond principal (\$9,145,000) and capital lease principal (\$ 36,848) are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	9,181,848
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. (\$12,937 was included with Business-type activities.)	(1,287,726)
Rounding	<u>1</u>
Changes in net assets of governmental activities	<u><u>\$ 8,432,169</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
General Fund

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 36,360,321	\$ 36,360,321	\$ 37,463,788	\$ 1,103,467
Licenses and Permits	193,800	193,800	227,650	33,850
Intergovernmental	16,425,169	16,653,577	18,514,296	1,860,719
Charges for services	11,544,891	11,856,454	10,093,110	(1,763,344)
Interest	539,845	539,845	700,758	160,913
Miscellaneous	572,003	573,303	315,610	(257,693)
Total revenues	65,636,029	66,177,300	67,315,212	1,137,912
Expenditures:				
Current				
General government	31,581,024	32,415,634	29,506,040	2,909,594
Public safety	43,621,688	43,799,369	43,962,009	(162,640)
Physical environment	1,611,191	1,708,403	1,672,002	36,401
Economic environment	832,932	950,342	899,834	50,508
Human services	3,484,440	3,501,274	3,447,716	53,558
Culture and recreation	5,773,487	6,564,394	6,459,286	105,108
Judicial	7,310,161	7,544,221	5,190,824	2,353,397
Debt Service				
Principal	36,848	36,848	36,848	-
Interest	4,087	4,087	2,629	1,458
Total expenditures	94,255,858	96,524,572	91,177,188	5,347,384
Excess (deficiency) of revenues over (under) expenditures	(28,619,829)	(30,347,272)	(23,861,976)	6,485,296
Other financing sources (uses):				
Transfers in	60,328,484	63,572,553	48,045,750	(15,526,803)
Transfers out	(34,164,119)	(34,637,899)	(23,202,669)	11,435,230
Total other financing sources (uses)	26,164,365	28,934,654	24,843,081	(4,091,573)
Net change in fund balance	(2,455,464)	(1,412,618)	981,105	2,393,723
Fund balances, October 1	18,873,135	18,873,135	18,873,135	-
Fund balances, September 30	\$ 16,417,671	\$ 17,460,517	\$ 19,854,240	\$ 2,393,723

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

Leon County, Florida

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

Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 46,630,201	\$ 46,630,201	\$ 47,532,839	\$ 902,638
Intergovernmental	12,113	44,554	45,576	1,022
Charges for services	974,238	974,238	727,409	(246,829)
Fines and forfeitures	1,385,100	1,385,100	1,366,890	(18,210)
Interest	133,250	133,250	191,163	57,913
Miscellaneous	35,387	35,387	-	(35,387)
Total revenues	49,170,289	49,202,730	49,863,877	661,147
Expenditures:				
Judicial	3,811,133	5,108,181	5,083,527	24,654
Total expenditures	3,811,133	5,108,181	5,083,527	24,654
Excess (deficiency) of revenues over (under) expenditures	45,359,156	44,094,549	44,780,350	685,801
Other financing sources (uses):				
Transfers in	1,669,468	2,416,212	3,725,399	1,309,187
Transfers out	(47,296,624)	(47,432,962)	(47,432,961)	1
Total other financing sources (uses)	(45,627,156)	(45,016,750)	(43,707,562)	1,309,188
Net change in fund balance	(268,000)	(922,201)	1,072,788	1,994,989
Fund balances, October 1	4,890,068	4,890,068	4,890,068	-
Fund balances, September 30	\$ 4,622,068	\$ 3,967,867	\$ 5,962,856	\$ 1,994,989

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

Leon County, Florida

Statement of Net Assets
Proprietary Funds

September 30, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Amtrak Station	Totals	
Assets:				
Current assets:				
Cash	\$ 72,915	\$ -	\$ 72,915	\$ 1,171,322
Cash with fiscal agent	-	-	-	25,047
Investments	12,769,035	-	12,769,035	3,254,755
Receivables				
Accounts	1,283,892	-	1,283,892	-
Intergovernmental	-	-	-	77,934
Due from other funds	6,938	104,543	111,481	47,565
Inventory	-	-	-	26,767
Total current assets	14,132,780	104,543	14,237,323	4,603,390
Noncurrent assets:				
Restricted cash and investments	5,296,344	-	5,296,344	-
Capital assets:				
Land non-depreciable	2,409,843	-	2,409,843	-
Depreciable (net)	8,366,539	1,373,681	9,740,220	-
Total noncurrent assets	16,072,726	1,373,681	17,446,407	-
Total assets	30,205,506	1,478,224	31,683,730	4,603,390
Liabilities:				
Current liabilities				
Accounts payable	876,971	-	876,971	156,015
Accrued liabilities	33,664	-	33,664	10,997
Due to other funds	104,543	-	104,543	47,565
Compensated absences	42,067	-	42,067	-
Advances from other funds	-	-	-	20,000
Other current liabilities	-	-	-	3,004,000
Total liabilities	1,057,245	-	1,057,245	3,238,577
Noncurrent liabilities:				
Compensated absences	88,697	-	88,697	-
Liability for closure costs/maintenance	10,900,889	-	10,900,889	-
Total noncurrent liabilities	10,989,586	-	10,989,586	-
Total liabilities	12,046,831	-	12,046,831	3,238,577
Net assets:				
Invested in capital assets, net of related debt	10,776,382	1,373,681	12,150,063	-
Unrestricted	7,382,293	104,543	7,486,836	1,351,404
Total net assets	\$ 18,158,675	\$ 1,478,224	19,636,899	\$ 1,351,404
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(12,937)	
Net assets of business-type activities			\$ 19,623,962	

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

Leon County, Florida

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

Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	
Operating revenues:				
Charges for services	\$ 6,664,197	\$ -	\$ 6,664,197	\$ 4,884,653
Rental income	-	1,314	1,314	-
Total operating revenues	6,664,197	1,314	6,665,511	4,884,653
Operating expenses:				
Personnel services	1,884,484	-	1,884,484	605,581
Contractual services	4,750,163	-	4,750,163	109,400
Supplies	242,540	-	242,540	741,544
Communications services	27,995	-	27,995	218,528
Insurance	24,305	-	24,305	3,555,138
Utility services	417,426	-	417,426	17,607
Depreciation	628,203	-	628,203	-
Other services and charges	1,165,659	-	1,165,659	444,272
Total operating expenses	9,140,775	-	9,140,775	5,692,070
Operating income (loss)	(2,476,578)	1,314	(2,475,264)	(807,417)
Nonoperating revenues:				
Taxes	1,244,679	-	1,244,679	-
Interest revenue	180,653	1,390	182,043	-
Loss on disposal of capital assets	(22,251)	-	(22,251)	51,754
Total nonoperating revenues	1,403,081	1,390	1,404,471	51,754
Income (loss) before transfers	(1,073,497)	2,704	(1,070,793)	(755,663)
Transfers In	256,508	-	256,508	-
Transfers out	(23,598)	-	(23,598)	(545,000)
Change in net assets	(840,587)	2,704	(837,883)	(1,300,663)
Net assets, October 1	18,999,262	1,475,520		2,652,067
Net assets, September 30	\$ 18,158,675	\$ 1,478,224		\$ 1,351,404
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(12,937)	
Change in net assets of business-type activities			\$ (850,820)	

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

Leon County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	
Cash flows from operating activities:				
Receipts from customers	\$ 6,504,804	\$ 1,314	\$ 6,506,118	\$ 1,424,052
Receipts from interfund services	-	-	-	3,445,529
Payments to suppliers	(5,414,494)	-	(5,414,494)	(3,223,511)
Payments to employees	(1,875,840)	-	(1,875,840)	(603,168)
Payments for interfund services	(681,208)	-	(681,208)	-
Claims paid	-	-	-	(1,000,556)
Payments for interfund services	-	-	-	(3,058)
Other receipts (payments)	-	-	-	6,116
Net cash (used in) provided by operating activities	(1,466,738)	1,314	(1,465,424)	45,404
Cash flows from noncapital financing activities:				
Tax proceeds	1,244,679	-	1,244,679	-
Repayments on interfund loans	(163,739)	(104,543)	(268,282)	(146,314)
Transfers received from other funds	256,508	-	256,508	-
Transfers made to other funds	(23,598)	-	(23,598)	(545,000)
Net cash provided by (used in) noncapital financing activities	1,313,850	(104,543)	1,209,307	(691,314)
Cash flows from capital and related financing activities:				
Acquisition and/or construction of capital assets	(514,005)	-	(514,005)	-
Net cash used by capital and related financing activities	(514,005)	-	(514,005)	-
Cash flows from investing activities				
Proceeds from sales and maturities of investments	7,938,226	-	7,938,226	-
Purchase of investments	(7,771,217)	-	(7,771,217)	-
Interest and dividends received	243,689	1,390	245,079	51,755
Net cash provided by (used in) investing activities	410,698	1,390	412,088	51,755
Net increase (decrease) in cash	(256,195)	(101,839)	(358,034)	(594,155)
Cash and equivalents, October 1	329,110	101,839	430,949	1,790,524
Cash and equivalents, September 30	\$ 72,915	\$ -	\$ 72,915	\$ 1,196,369

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, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (2,476,578)	\$ 1,314	\$ (2,475,264)	\$ (807,417)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	628,203	-	628,203	-
Change in assets and liabilities:				
Receivables	(159,393)	-	(159,393)	(19,335)
Inventories	-	-	-	4,139
Accounts payable	371,289	-	371,289	52,604
Accrued expenses	8,644	-	8,644	2,413
Other current liabilities	-	-	-	813,000
Estimated liability for closure	161,097	-	161,097	-
Net cash provided by operating activities	<u>\$ (1,466,738)</u>	<u>\$ 1,314</u>	<u>\$ (1,465,424)</u>	<u>\$ 45,404</u>

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

Leon County, Florida
Statement of Fiduciary Net Assets
Agency Funds

September 30, 2004

	Total Agency Funds
<hr/>	
Assets:	
Cash	\$ 7,792,673
Cash with fiscal agent	120,000
Investments	1,298,670
Receivables	
Accounts	420,492
Intergovernmental	5,844
Total assets	<hr/> \$ 9,637,679 <hr/>
 Liabilities:	
Accounts payable	\$ 961,683
Due to other governments	2,100,506
Deposits	5,265,248
Installment tax deposits	1,310,242
Total liabilities	<hr/> \$ 9,637,679 <hr/>

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



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LEON COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

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Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Component Units

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Component Units (Continued)

Specific criteria used to determine financial accountability are:

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

The financial statements of the component units have been included in the financial reporting entity either as a blended component unit or as a discretely presented component unit in accordance with GASB Statement No. 14, "The Financial Reporting Entity." At September 30, 2004, the only component unit of the County is The Housing Finance Authority of Leon County (the "Authority") and is presented in a separate column on the County's financial statements.

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

The Authority's governing board is appointed by the Board of County Commissioners; the budget is approved by the County; all bonds issued and contracts entered into must be approved by the County; the County may, at its sole discretion, and at anytime, alter or change the structure, organization, programs or activities of the Authority, including the power to terminate the Authority; and the County maintains the books and records of the Authority. This unit is reported in a separate column to emphasize that it is legally separate from the County. Separate financial information for the Housing Finance Authority is available at the County Courthouse, 301 S. Monroe Street, Room 222, Tallahassee, Florida 32301.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting

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

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

Government-wide Financial Statements

Government-wide financial statements (the Statement of Net Assets and Statement of Activities) provide financial information about Leon County government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component unit and provide for a consolidated financial picture of the government. The Statement of Net Assets reports all financial and capital resources of Leon County's governmental and business-type activities. The Statement of Activities reports functional categories of programs provided by the County and demonstrates how and 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 amounts reported as interfund balances represents the residual amounts due between governmental and business-type activities. Fiduciary funds of the government are also removed from this presentation since the resources are not available for general government funding purposes. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely, to a significant extent, on fees and charges for support.

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

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (continued)

long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liability, rather than as expenditures.

Fund Financial Statements

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

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

Governmental Funds

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

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

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non current 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 judgements, 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 non current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The County does not 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. Non-operating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

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

Governmental Major Funds:

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

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

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

Local Option Sales Tax Fund — The Local Option Sales Tax Fund accounts for revenues generated by the local option one-cent sales tax. This tax, which was approved by the voters of Leon County in a referendum election held on November 4, 1989, provides for the levy of a one percent sales tax on every taxable item sold in the County and taxed pursuant to the provisions of Section 206, Florida Statutes. The statutory authority to collect these revenues expires October 1, 2004. Utilization of the proceeds of this tax is limited to the costs of acquisition, construction, reconstruction, and maintenance of roads and streets; and the costs of establishing, operating, and maintaining a transportation system and related facilities.

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

Proprietary Major Fund:

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

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

Other Fund Types:

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

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

Non-current Governmental Assets/Liabilities

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

D. Assets, Liabilities and Net Assets

Cash and Cash Equivalents

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

Investments

Investments for the County are reported at fair value, in accordance with GASB Statement No. 31.

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Receivables and Payables

All account receivables are considered collectable, therefore no provision for uncollectables is deemed necessary.

Inventories and Prepaid Items

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

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

Restricted Assets

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

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. Infrastructure assets are defined as public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the government unit. All qualified infrastructure assets have been capitalized and included in the September 30, 2004 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 \$750 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. The ranges of the useful lives are as follows:

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

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

Capitalization of Interest

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

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Deferred Revenues

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

Landfill Closure Costs

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

Within the Landfill Fund, deposits are made to the fund's other cash and cash equivalents account for the purpose of complying with the escrow requirements of Rule 17-701.630, Florida Administrative Code. This rule requires the County to annually deposit funds in an interest-bearing escrow account for the purpose of funding the estimated landfill post-closure cost. This amount is represented as "Restricted Assets" on the Statement of Net Assets.

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

Accrued Compensated Absences

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (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, 2004.

Due to/from Other Funds

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

Advances to/from Other Funds

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

Reserves/Designations of Fund Balances and Net Assets

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

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Capital Contributions

The capital contributions accounted for in the proprietary fund types represent contributions from other funds, developers, state and federal grant programs. Impact fees are charged to new customers for their anticipated burden on the existing system. The capital contributions are reported after nonoperating revenues and expenses on the statement of revenues, expenses, and changes in fund assets in accordance with GASB Statement No. 33.

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

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

“Total fund balances” of the County’s governmental funds (\$120,843,721) differs from “net assets” of governmental activities (\$315,298,728) reported in the statement of net assets. This difference results primarily from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Capital Related Items

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

Cost of capital assets	\$ 480,241,326
Accumulated depreciation	<u>(188,240,512)</u>
Net capital assets added	<u><u>\$ 292,000,814</u></u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

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

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

Long-term Debt Transactions

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as current fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2004 were:

Capital Improvement Revenue Bonds, Series 1998A	\$9,710,000
Capital Improvement Revenue Bonds, Series 1997	5,290,000
Refunding Revenue Bonds, Series 1993	4,630,000
Capital Improvement Refunding Revenue Bonds, Series 1998B	20,210,000
Capital Improvement Revenue Bonds, Series 1999	28,695,000
Capital Improvement Revenue Bonds, Series 2003A	7,965,000
Taxable Capital Improvement Revenue Bonds, Series 2003B	12,465,000
Capital lease obligations	44,913
Liability for compensated absences	9,663,048
Arbitrage rebate liability	250,596
	<u>\$98,923,557</u>

Internal Service Funds

Management uses internal service funds to charge the cost of fleet management and insurance activities to the individual funds benefited. Because internal service funds primarily serve governmental activities of the County, the assets and liabilities of those funds are included in the governmental activities for government-wide reporting purposes. The total amount of internal service fund assets, net of liabilities, included with governmental activities on the September 30, 2004, statement of activities is \$1,364,341.

Leon County, Florida
Notes to Financial Statements
September 30, 2004

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

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

	Total	
	Governmental	Capital Related
Assets	Funds	Items
Equity in pooled cash & equivalents	\$10,782,380	\$ —
Investments	112,623,234	—
Receivables (net)	11,106,124	—
Due from other funds	18,477,949	—
Advances to other funds	2,881,138	—
Inventories	400,058	—
Prepaid items	8,054	—
Capital assets - net	—	292,000,814
Total Assets	\$156,278,937	\$ 292,000,814
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable/Expense	\$5,689,720	\$ —
Accrued Liabilities	2,016,147	—
Intergovernmental Payables	494,261	—
Internal Balance	—	—
Estimated liability for self-insurance loss	—	—
Due to other funds	18,484,789	—
Deposits	322,161	—
Airbitrage rebate	—	—
Deferred revenue	5,567,000	—
Advances from other funds	2,861,138	—
Accrued compensated balances	—	—
Capital leases	—	—
Bond and notes payable (net)	—	—
Total liabilities	\$ 35,435,216	\$ —
Fund balances/net assets	\$120,843,721	\$292,000,814
Total liabilities and fund balances/net assets	\$156,278,937	\$292,000,814

Leon County, Florida
Notes to Financial Statements
September 30, 2004

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

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

Long-term Debt Transactions	Internal Service Funds	Reclassifications & Eliminations	Statement of Net Assets
\$ —	\$1,196,369	\$ —	\$ 11,978,749
—	3,254,755	—	115,877,989
—	77,934	98	11,184,156
—	47,565	(18,525,514)	—
—	—	(2,881,138)	—
—	26,767	—	426,825
—	—	—	8,054
—	—	—	292,000,814
<u>\$ —</u>	<u>\$4,603,390</u>	<u>(\$21,406,554)</u>	<u>\$ 431,476,587</u>
\$ —	\$167,012	\$ —	\$ 5,856,732
—	—	—	2,016,147
—	13,409	—	507,670
—	(12,937)	6,938	(5,999)
—	3,004,000	—	3,004,000
—	47,565	(18,532,354)	—
—	—	—	322,161
250,596	—	—	250,596
—	—	—	5,567,000
—	20,000	(2,881,138)	—
9,663,048	—	—	9,663,048
44,913	—	—	44,913
88,965,000	—	—	88,965,000
<u>\$ 98,923,557</u>	<u>\$3,239,049</u>	<u>(\$21,406,554)</u>	<u>\$ 116,191,268</u>
<u>(\$98,923,557)</u>	<u>\$1,364,341</u>	<u>\$ —</u>	<u>\$ 315,285,319</u>
<u>\$ —</u>	<u>\$4,603,390</u>	<u>(\$21,406,554)</u>	<u>\$ 431,476,587</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

**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 \$796,058 differs from the “change in net assets” for governmental activities of \$8,445,578, reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities, versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Related Items

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

Capital Outlay	\$ 15,571,843
Depreciation Expense	<u>(14,759,299)</u>
Net	<u><u>\$ 812,544</u></u>

Long-term Debt Transactions

In the statement of activities, debt and capital lease proceeds increase long-term liabilities. However, in the governmental funds, debt and capital lease proceeds are treated as other financing sources since they provide current financial resources to governmental funds. The County had no additional debt activity during fiscal year 2003/04.

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

Repayments of bond principal payments	\$ 9,145,000
Capital lease payments made	<u>36,848</u>
Total	<u><u>\$ 9,181,848</u></u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

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

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

Long-term Debt Transactions (continued)

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

Net increase in compensated absences	<u>\$ (1,070,556)</u>
	<u><u>\$ (1,070,556)</u></u>

Internal Service Funds Aggregate Loss

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

Internal service funds aggregate gain (loss) on governmental activities	<u>\$ (1,287,726)</u>
	<u><u>\$ (1,287,726)</u></u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

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)

		Governmental Funds	Related Items	Debt Transactions
Revenues:	Taxes	\$ 119,560,738	\$ —	\$ —
	Licenses and Permits	2,909,283	—	—
	Intergovernmental	28,749,578	—	—
	Charges for services	20,857,272	—	—
	Fines and forfeitures	2,197,259	—	—
	Interest	2,346,722	—	—
	Miscellaneous	4,762,834	—	—
Total revenues		181,383,686	—	—
Expenditures:	Current			
	General government	34,827,817	972,006	—
	Public safety	64,761,779	(97,116)	—
	Physical environment	13,702,635	(3,182,454)	—
	Transportation	18,963,533	1,448,532	—
	Economic Environment	3,876,691	—	—
	Human services	9,024,536	(392,059)	—
	Culture and recreation	9,896,536	407,040	—
	Judicial	11,938,996	31,507	—
Debt Service	Principal	9,181,848	—	(9,181,848)
	Interest	4,723,808	—	—
	Other Debt Service Costs	1,539	—	—
Total expenditures		180,899,718	(812,544)	(9,181,848)
Excess (deficiency) of revenues over (under) expenditures		483,968	812,544	9,181,848
Other financing sources (uses):				
	Operating transfers in	76,460,248	—	—
	Operating transfers out	(76,148,158)	—	—
Total other financing sources (uses)		312,090	—	—
Net change in fund balance		796,058	812,544	9,181,848
Fund balances, October 1		120,047,663		
Fund balances, September 30		\$ 120,843,721		

Leon County, Florida
Notes to Financial Statements
September 30, 2004

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

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

Compensated Absences	Internal- Service Funds	Reclassifications and Eliminations	Statement of Activities
\$ —	\$ —	\$ —	\$ 119,560,738
—	—	—	2,909,283
—	—	—	28,749,578
—	—	(2,393,600)	18,463,672
—	—	—	2,197,259
—	51,754	—	2,398,476
—	—	—	4,762,834
—	51,754	(2,393,600)	\$ 179,041,840
284,108	636,119	—	36,720,050
647,191	95,694	(291,293)	65,116,255
24,092	20,450	—	10,564,723
20,335	17,404	—	20,449,804
1,997	85	—	3,878,773
7,827	16,409	—	8,656,713
22,244	6,575	—	10,332,395
62,762	1,744	(2,102,308)	9,932,701
—	—	—	—
—	—	—	4,723,808
—	—	—	1,539
1,070,556	794,480	(2,393,601)	170,376,761
(1,070,556)	(742,726)	1	8,665,079
—	—		76,460,248
—	(545,000)		(76,693,158)
—	(545,000)	—	(232,910)
(1,070,556)	(1,287,726)	1	8,432,169
			306,853,150
			\$ 315,285,319

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

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

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

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

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

A. Budgets and Budgetary Accounting (continued)

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

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE IV. CASH AND INVESTMENTS

Cash deposits at September 30, 2004 consist of cash on hand and demand deposit accounts with banks designated by the State Treasurer as qualified public depositories. For purposes of the statement of cash flows, restricted cash and investments are excluded from cash balances at the beginning and end of the year since amounts are not available for use in current operations. Also for purposes of the statement of cash flows, certificates of deposit with original maturities of three months or less from the date of acquisition are considered to be cash.

At September 30, 2004, the carrying amount of the County's deposits was \$20,457,772 and the bank balances were \$22,714,522. Deposits whose values exceed the limits of Federal depository insurance are entirely insured or collateralized pursuant to Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act."

Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositories are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

The cash with fiscal agent reported in the trust and agency fund is for Board prepaid preferred health insurance premiums.

Investments

The County is authorized to invest in all State-approved investments which include:

1. Local Government Surplus Funds Trust Fund administered by the State Board of Administration;
2. Bonds, notes or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged;
3. Bonds, notes or other obligations of the State of Florida or any municipality or political subdivision thereof;

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE IV. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

4. Interest-bearing time deposits or savings accounts in banks or savings and loan associations organized under the laws of the State of Florida or organized under the laws of the United States doing business and situated in this State;
5. Obligations of the Federal Farm Credit Banks; the Federal Home Loan Mortgage Corporation, including participation certificates; the Federal Home Loan Bank or its district banks; and obligations guaranteed by the Government National Mortgage Association;
6. Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by United States Government obligations;
7. Commercial paper of prime quality; and
8. Bankers' acceptances.

There were no violations of this policy during the fiscal year. During portions of the fiscal year ended September 30, 2004, the County carried all of the investment types described above except for securities of any open-end or closed-end management type investment company or investment trust, commercial paper and bankers acceptances.

The County's investments at September 30, 2004 are categorized in the following table to give an indication of the level of risk assumed.

Category 1 includes investments that are insured or registered or for which the County or its agent in the County's name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name.

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE IV. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

Type	Risk Category			Carrying Amount/ Fair Value
	1	2	3	
Government Agencies	\$ 23,751,449	\$ —	\$ —	\$ 23,751,449
Repurchase Agreements (collateralized by government securities)	—	—	5,133,304	5,133,304
Money Market	871,000	—	—	871,000
United States Treasury Notes	33,971,644	—	—	33,971,644
Corporate Notes/Commercial Paper	8,560,334	—	—	8,560,334
	<u>\$ 67,154,427</u>	<u>\$ —</u>	<u>\$ 5,133,304</u>	<u>72,287,731</u>
Local Government Surplus Trust Fund				62,954,307
				<u>\$ 135,242,038</u>

The investment in the Local Government Surplus Funds Trust Fund (“LGSF”) at September 30, 2004 of \$62,954,307 is not categorized in the preceding table, as it is not evidenced by securities that exist in physical or book entry form. Investment income of the Local Government Surplus Funds Trust Fund is allocated on a pro-rata basis using the weighted average investment balance per fund. In the LGSF is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for an SEC Rule 2a-7 fund. The LGSF 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 the LGSF. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA. The County’s fair value of its investment in the pool approximates its value of the pool shares.

There were no losses during the period due to default by counterparties to investment transactions. Restricted investments include \$5,296,344 of investments in the Enterprise (landfill) Fund. This schedule includes \$129,518,024 investments of the primary government and \$6,595,014 in agency funds. The pooled cash which earns interest overnight in the amount of \$8,765,339 is not included in this schedule.

NOTE V. PROPERTY TAXES

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special taxing districts and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit counties to levy property taxes at a rate of up to 10 mills. The tax levy of Leon County is established by the Board prior to October 1 of each year. The millage rate collected by the County during the current fiscal year was 8.55 mills. County citizens were also assessed for

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE V. PROPERTY TAXES (CONTINUED)

Emergency Medical Services (EMS) and primary health care services through Municipal Services Taxing Units at millage rates of .5 and .12 mills, respectively. The Board of Commissioners took steps to abolish the fire services MSTU by using the revenues collected from the Public Services Tax (PST) to fund this service. For County citizens charged a special assessment, the required annual payment is also included on their tax bill.

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

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

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

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the seven-year statute of limitations. Since tax certificates were sold for substantially all current year delinquent property taxes, there were no material property taxes receivable at September 30, 2004.

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VI. CAPITAL ASSETS

A. Capital Asset Activity for the year ended September 30, 2004 was as follows:

Primary Government	Beginning Balance	Increase	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 16,119,531	\$ —	\$ —	\$ 16,119,531
Improvements other than buildings	6,833,607	209,313	—	7,042,920
Construction/Purchase in Progress	10,002,861	2,764,618	(3,041,461)	9,726,018
Total not being depreciated	32,955,999	2,973,931	(3,041,461)	32,888,469
Capital Assets being depreciated:				
Buildings	138,490,035	3,141,318	—	141,631,353
Equipment	22,393,039	3,402,580	(1,245,216)	24,550,403
Library Collection	3,338,341	702,951	(533,011)	3,508,281
Infrastructure	270,589,741	11,067,111	(3,994,031)	277,662,821
Total being depreciated	434,811,156	18,313,960	(5,772,258)	447,352,858
Buildings	(41,425,471)	(3,501,814)	—	(44,927,285)
Equipment	(11,806,967)	(1,893,215)	855,215	(12,844,967)
Library Collection	(1,942,973)	(701,565)	533,011	(2,111,527)
Infrastructure	(121,403,473)	(8,662,705)	1,709,444	(128,356,734)
Total accumulated depreciation	(176,578,884)	(14,759,299)	3,097,670	(188,240,513)
Total being depreciated, net	258,232,272	3,554,661	(2,674,588)	259,112,345
Governmental activities capital assets, net	\$ 291,188,271	\$ 6,528,592	\$ (5,716,049)	\$ 292,000,814
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,409,843	\$ —	\$ —	\$ 2,409,843
Total not being depreciated	2,409,843	—	—	2,409,843
Capital Assets being depreciated:				
Buildings	18,079,944	287,112	—	18,367,056
Equipment	5,435,775	233,426	955,080	4,714,121
Total being depreciated	23,515,719	520,538	955,080	23,081,177
Less accumulated depreciation for:				
Buildings	(10,738,110)	(78,154)	—	(10,816,264)
Equipment	(2,818,191)	(550,049)	843,547	(2,524,693)
Total accumulated depreciation	(13,556,301)	(628,203)	843,547	(13,340,957)
Total being depreciated, net	9,959,418	(107,665)	111,533	9,740,220
Business-type activities capital assets, net	\$ 12,369,261	\$ (107,665)	\$ 111,533	\$ 12,150,063

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VI. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General government	\$ 2,007,064
Public safety	1,084,406
Physical environment	930,712
Transportation	8,417,326
Human services	185,195
Culture and recreation	2,103,089
Judicial	31,507
Total depreciation expense – governmental activities	<u><u>\$ 14,759,299</u></u>

Business-type activities:

Landfill	\$ 628,203
Total depreciation expense – business-type activities	<u><u>\$ 628,203</u></u>

C. Capital Lease Property consists of the following items:

Equipment	\$ 117,151
Less: Accumulated Depreciation	<u>(72,238)</u>
Total being depreciated	<u><u>\$ 44,913</u></u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VII. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund Balances as of September 30, 2004, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government:		
By Major Fund:		
General	\$3,076,943	\$8,352,610
Fine & Forfeiture	2,054,167	226,050
Local Option Sales Tax	—	6,028,071
Total Major Funds	<u>5,131,110</u>	<u>14,606,731</u>
Nonmajor Special Revenue Funds:		
County Transportation Trust Fund	1,211,742	—
Criminal Justice Trust Fund	—	4,168
Growth Management	—	116
Mosquito Control	—	510
SHIP Trust Fund	1,314,472	438
Grants Fund	—	1,031,914
911 Emergency Communications	37,199	171,062
Municipal Service Fund	—	370
Special Assessments	—	20
Primary Care MSTU	750,487	—
Sheriff Special Grants Fund	—	49,032
Emergency Management 911 Fees	63,221	59,805
Emergency Management Grants	99,939	85,798
Sheriff Inmate Fund	43,385	8,153
Article V Court Operations	1,829	1,309
Records Modernization	226,000	—
Total Nonmajor Special Revenue Funds	<u>3,748,274</u>	<u>1,412,695</u>
Nonmajor Debt Service Funds: Series 1991 (LOS)	<u>—</u>	<u>107,169</u>
Nonmajor Capital Projects Funds:		
Capital Improvement	163,675	47
Gas Tax Capital Projects	—	311,862
Extended Local Option Sales tax	2,175,653	—
Construction Series 2003A – 2003B	322,604	—
1999 Bond Construction	6,422,381	—
Library and Parks	—	2,046,285
Emergency Communications	171,062	—
Impact Fee - Countywide	343,190	—
Total Nonmajor Capital Projects Funds	<u>9,598,565</u>	<u>2,358,194</u>
Total Nonmajor Governmental Funds	<u>13,346,839</u>	<u>3,878,058</u>
Total Governmental Funds	<u>18,477,949</u>	<u>18,484,789</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

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

A. Interfund Balances as of September 30, 2004, consisted of the following: (Continued)

Business-Type Funds:

Landfill	6,938	104,543
Amtrack	104,543	—
Total Business-Type Funds	<u>111,481</u>	<u>104,543</u>

Internal Service Funds	47,565	47,565
Total Internal Service Funds	<u>47,565</u>	<u>47,565</u>
Total Primary Government	<u>\$18,636,995</u>	<u>\$18,636,897</u>
Component Unit	<u> </u>	<u>98</u>
Total Primary Government & Component Unit	<u><u>\$18,636,995</u></u>	<u><u>\$18,636,995</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.

B. Interfund Transfers for the year ended September 30, 2004, consisted of the following:

Transfers to the General Fund from:

Fine & Forfeiture Fund	\$ 47,372,618
Nonmajor Governmental Funds	148,132
Internal Service Funds	525,000
Total transfers to the General Fund	<u>48,045,750</u>

Transfers to the Fine & Forfeiture Fund from:

General Fund	2,169,763
Nonmajor Governmental Funds	1,555,636
Total transfers to the Fine & Forfeiture Fund	<u>3,725,399</u>

Transfer to Local Option Sales Tax (LOS) from:

Nonmajor Governmental Funds	20,872
Total Transfer to LOS Tax	<u>20,872</u>

Transfers to Nonmajor Funds from:

General Fund	10,171,056
Fine & Forfeiture Fund	1,585,193
Other Nonmajor Funds	12,891,978
Internal Service Funds	20,000
Total transfers to Nonmajor Funds	<u>24,668,227</u>
Total Interfund Transfers	<u><u>\$ 76,460,248</u></u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

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

B. Interfund Transfers (continued)

Transfers are used to 1) move revenues from the fund that state law requires to collect them to the fund that state law requires to expend them, 2) provide matching funds for grants, 3) use unrestricted general fund revenues to finance transportation activities which must be accounted for in another fund, 4) use optional sales tax revenues for activities which must be accounted for in another fund, and 5) use unrestricted general fund revenues to fund capital asset purchases.

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, 2004, is comprised of the following:

Revenue Bonds:

**Outstanding at
September 30, 2004**

\$9,710,000, Capital Improvement Revenue Bonds, Series 1998A, to (i) fund a bond reserve, (ii) pay the bond issuance costs, and (iii) pay a portion of the cost of constructing certain capital improvements within the County, including improvement to parks and recreation, fleet management, public works and library facilities. The bonds dated May 1, 1998, 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, 1998. The bond principal matures serially on October 1 of each year for four years beginning October 1, 2014.

\$ 9,710,000

\$7,255,000, Capital Improvement Revenue Bonds, Series 1997, to (i) pay a portion of the cost for restoration of certain lakes in Leon County, (ii) to fund bond reserves, and (iii) pay bond issuance costs. The bonds, dated June 1, 1997 are in denominations of \$5,000 each and bear interest from 4.25% to 5.25% per annum. The interest on the bonds is payable on April 1, and October 1, beginning October 1, 1997. The bond principal matures serially on October 1, of each year beginning October 1, 1997. There are also term bonds maturing in 2017.

5,290,000

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VIII . LONG-TERM OBLIGATIONS (CONTINUED)

A. Long-term Obligations (continued)

**Outstanding at
September 30, 2004**

\$12,680,000 Refunding Revenue Bonds, Series 1993, to (i) advance refund a portion of the County's outstanding Capital Improvement Refunding Revenue Bonds, Series 1988 and a portion of the County's outstanding Capital Improvement Revenue Bonds, Series 1989, (ii) fund the Reserve Account and (iii) pay a portion of the costs of issuance of the Series 1993 Bonds. The Bonds, dated May 15, 1993, are in denominations of \$5,000 each and bear interest from 3.90% to 5.50% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 1993. The bond principal matures serially on October 1 of each year beginning October 1, 1996.

4,630,000

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

20,210,000

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

28,695,000

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

12,465,000

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VIII . LONG-TERM OBLIGATIONS (CONTINUED)

A. Long-term Obligations (continued)

**Outstanding at
September 30, 2004**

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

7,965,000

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

TOTAL BONDS PAYABLE

\$ 88,965,000

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

A. Long-term Obligations (continued)

The Tax Collector is committed under a capital lease for the purchase of a high-speed processor. Monthly payments under the lease are reported as debt service principal and interest expenditures and are included in the approved budget. Title to the equipment passed upon installation and acceptance. The capital lease agreement is secured by the equipment. The lease agreement provides for 48 monthly installments of \$3,290, including interest at 4.05% beginning on December 5, 2001 and ending November 5, 2005.

At September 30, 2004, future minimum lease payments are as follows:

	Fiscal Year ending September 30,		
	2005	2006	Total
Minimum Lease payment	\$ 39,477	\$ 6,580	\$46,057
Less amount representing interest	(1,111)	(33)	(1,144)
Present value of net minimum lease payments	<u>\$ 38,366</u>	<u>\$ 6,547</u>	<u>\$44,913</u>

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

Special Revenue Bonds

Fiscal Year Ending September 30	Principal	Interest	Total
2005	\$ 3,840,000	\$ 4,466,148	\$ 8,306,148
2006	4,035,000	4,270,449	8,305,449
2007	4,245,000	4,063,381	8,308,381
2008	4,465,000	3,840,094	8,305,094
2009	4,690,000	3,617,916	8,307,916
2010-2014	25,040,000	14,249,544	39,289,544
2015-2019	35,520,000	6,553,528	42,073,528
2020	7,130,000	320,850	7,450,850
Total	<u>\$ 88,965,000</u>	<u>\$ 41,381,910</u>	<u>\$ 130,285,774</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

C. Advances and Current Refundings

The County has refunded certain obligations by placing amounts into an escrow account which will be invested so that the accumulated investment and interest earnings will be sufficient to pay the remaining principal and interest on the refunded obligations as they become due. The refunded obligations are not shown as liabilities of the County; however, the escrow agreement states that in the unlikely event that the accumulated funds in the escrow accounts are insufficient to meet the required debt service payments, the County would be required to fund any deficiency. At September 30, 2004, \$45,740,000 of outstanding general long-term debt special revenue bonds are considered defeased as follows:

Capital Improvement Revenue Refunding Bonds, Series 1991	\$ 21,525,000
Capital Improvement Revenue Bonds, Series 1989	2,110,000
Capital Improvement and Refunding Revenue Bonds, Series 1986	20,080,000
Capital Improvement Bonds, Series 1977	390,000
Capital Improvement Bonds, Series 1976	1,635,000
	<u>\$ 45,740,000</u>

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

	Balance October 1, 2003	Reductions	Additions	Balance September 30, 2004	Due Within One Year
Governmental Activities:					
Capital Improvement Revenue Bonds, Series 1998A	\$ 9,710,000	\$ —	\$ —	\$ 9,710,000	\$ —
Capital Improvement Revenue Bonds, Series 1997	5,575,000	(285,000)	—	5,290,000	295,000
Refunding Revenue Bonds, Series 1993	6,025,000	(1,395,000)	—	4,630,000	1,465,000
Capital Improvement Revenue Bonds, Series 2003A	7,965,000	—	—	7,965,000	—
Taxable Capital Improvement Revenue Bonds, Series 2003B	12,465,000	—	—	12,465,000	—
Capital Improvement Refunding Revenue Bonds, Series 1998B	21,930,000	(1,720,000)	—	20,210,000	1,815,000
Capital Improvement Revenue Bonds, Series 1999	28,950,000	(255,000)	—	28,695,000	265,000
Sunshine State Governmental Financing Commission	5,490,000	(5,490,000)	—	—	—
Capital Lease Obligations	81,761	(36,848)	—	44,913	38,366
Liability for compensated absences	8,592,492	(3,197,030)	4,267,585	9,663,048	3,078,016
Arbitrage rebate liability	250,596	—	—	250,596	—
Governmental Activity Long-Term Debt	<u>\$ 107,034,849</u>	<u>\$ (12,378,878)</u>	<u>\$ 4,267,585</u>	<u>\$ 98,923,557</u>	<u>\$ 6,956,382</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

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

	Balance October 1, 2003	Reductions	Additions	Balance September 30, 2004	Due Within One Year
Business-type activities:					
Liabilities for Compensated absences	\$ 123,383	\$ 97,341	\$ 104,722	\$ 130,764	\$ 42,067
Landfill Closure and Postclosure Costs	10,739,792	—	161,097	10,900,889	—
Business-type activity Long-term liabilities	\$ 10,863,175	\$ 97,341	\$ 265,819	\$ 11,031,653	\$ 42,067

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 are paid within ten days of each billing cycle. The purchasing activity for fiscal year 2004 is as follows:

Beginning balance	\$ 150,776
Purchases	1,941,599
Payments	(1,890,279)
Ending balance	<u>\$ 202,096</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, 2004, pursuant to its authorization:

	<i>Unaudited</i> Amount Outstanding
Single Family Mortgage Revenue and Refunding Bonds:	
Series 1995 A	\$ 1,355,000
Series 1995 B	1,290,000
	<u>\$ 2,645,000</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

H. Discretely presented Component Unit — Housing Finance Authority of Leon County (Continued)

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

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, 2004, the Industrial Development Bonds outstanding were as follows:

Project Description	Fiscal Year Issued	Original Bond Issue	Principal Outstanding @ 09/30/2004
Southeastern Community Blood Center	1995	\$2,481,875	\$ 1,059,417
Holy Comforter Episcopal School	2002	4,400,000	4,135,097
North Florida Fairgrounds (Building Construction)	1995	600,000	220,000
Industrial Development Revenue Bonding Ring Power Corp. / Manufacturing Plant	1984	1,500,000	395,000
Industrial Development Revenue Bonding Smith's Transfer Corp. / Truck Terminal	1979	1,500,000	750,000
Total Conduit Debt Principal Balance as of September 30, 2004			\$ 6,559,514
<u>Defeased Conduit Debt</u>			
Educational Facilities Authority			\$ 18,480,000

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

J. Debt Parity

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

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

	Actual 2001	Actual 2002	Actual 2003	Actual 2004
Pledged Revenues:				
Total Revenues Available for Senior Lien Debt	\$2,605,954	\$2,881,009	\$3,697,376	\$4,166,102
Combined Maximum Annual Debt Service for Senior Lien Debt (Series 1993 and 1997)	\$2,279,693	\$2,279,693	\$2,279,693	\$2,279,693
Senior Lien Debt Service Coverage	1.14x	1.26x	1.63x	1.83x
Revenues Available for Junior Lien Debt				
Local Government Half Cent Tax	\$10,296,945	\$10,768,572	\$11,272,541	\$11,788,873
Guaranteed Entitlement	316,798	316,798	316,798	316,798
Second Guaranteed Entitlement	<u>1,026,649</u>	<u>1,026,649</u>	<u>1,026,649</u>	<u>1,026,649</u>
Total Revenues Available for Junior Lien Debt	\$11,640,392	\$12,112,019	\$12,615,988	\$13,132,320
Combined Maximum Annual Debt Service for Junior Lien Debt (Series 1998A, 1998B and Series 1999 and Series 2003)	\$6,786,424	\$6,786,424	\$8,309,951	\$8,309,951
Junior Lien Debt Service Coverage	1.72x	1.78x	1.52x	1.58x

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE IX. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the Board to place a final cover on each of its landfill cells when it stops accepting waste and to perform certain maintenance and monitoring functions on each cell for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$10,900,889 reported as landfill closure and post-closure care liability at September 30, 2004, represents the cumulative amount reported to date based on the use of 92.2% of the estimated capacity of the landfill cells placed in use. The Board will recognize the remaining estimated cost of closure and post-closure care of \$1,664,395 as the remaining estimated capacity is filled (approximately 8 years). These amounts are based on what it would cost to perform closure and post-closure care in 2004 on those cells placed in use. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Board is required by state and federal laws to make annual contributions to an escrow account to finance a minimum of all closure costs and at least one year of post-closure costs. The Board is in compliance with those minimum requirements, and at September 30, 2004, held investments with a fair value of \$5,296,344 for these purposes that are reported as restricted assets on the balance sheet. The Board expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined, these costs may need to be covered by charges to future landfill users or from future tax revenue.

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

Originally, the County expected the landfill to be full by July 2003. However, the County has applied for, and expects to receive a permit from the Florida Department of Environmental Protection, allowing for the landfill to be raised 30 feet. With the increase in capacity and if the County continues to use the landfill at the current rate, it is expected to be full by April 2005. The County is making plans to use the landfill only as a backup. If successful, it will be full in calendar year 2018.

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE X. EMPLOYEE BENEFITS

A. Pension Plan

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

Funding Policy - The System is employee noncontributory. The County is required to contribute at an actuarially determined rate. The contributions required for the years ended September 30, 2004, 2003, and 2002 were \$7,092,648, \$5,590,778, and \$5,640,877, respectively, which is equal to 100% of the required contribution for each year. The rates for 2004 and 2003 fiscal years were as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2003	July 1, 2004
Regular Class	Normal retirement at age 62 or at least 30 years of service: 1.60% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	7.39%	7.39%
Senior Management Class	Normal retirement at seven years and age 62: 2.00% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	9.37%	9.37%
Special Risk (sworn employees)	Normal retirement at age 55, or 25 years of special risk service: 2% to 3% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	18.53%	18.53%
Elected County Officers' Class (ESCOC) - Non-judicial	Normal retirement at eight years ESCOC service and age 62: 3.00% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	15.23%	15.23%
Deferred Retirement Option Program (DROP)	Retirement benefit paid to DROP where it earns 6.5% interest, tax deferred, for up to five years while the member continues to work.	Available to vested members at normal retirement age or date.	9.11%	9.11%

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE X. EMPLOYEE BENEFITS (CONTINUED)

B. Deferred Compensation Plan

The County offers their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The County complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Deferred compensation amounts withheld from participating employees' pay are not taxable as current income until withdrawn from the plan. Annual contributions by a participant may not exceed the lesser of \$13,000 or 50% of gross annual compensation. There is an "age 50 catch-up" provision that allows an additional \$3,000 contribution from the year the employee reaches age 50 until the employee terminates employment.

C. Liability for Compensated Absences

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

D. Executive Service Plan

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

E. Post Employment Benefits Other Than Pension Benefits

At the employee's expense, it has been the County's practice to provide post employment life and health insurance benefits to its retired employees. The benefits are provided only when paid for by the retired employee. As a result, the County has no post employee benefits expenditures.

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE XI . RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES

A. General Liability

Effective for the fiscal year beginning October 31, 2001, the County approved the purchase of commercial coverage (rather than risk pooling through the Florida Association of Counties Trust) for general liability, and extended its pollution liability coverage to include the activities related to herbiciding and pesticiding. The County and/or the Florida Association of Counties Trust will be liable for claims that occurred prior to October 1, 2001.

B. Workers Compensation

The County maintains a self-insurance Internal Service Fund to account for insurance activities relating to workers' compensation that is administered by a third-party administrator. Under this program, the County absorbs losses up to a maximum of \$500,000 for each claim. At September 30, 2004, the County had \$120,000 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 three years.

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

The claims liability for workers' compensation is \$2,944,000, which includes an actuarial evaluation for incurred but not reported claims of \$672,277 reported in the Fund at September 30, 2004. The liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amount in fiscal year 2003/2004 were:

Year	Beginning of Fiscal-Year	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2003	\$ 2,223,000	\$ 791,993	\$ 874,993	\$ 2,140,000
2004	\$ 2,140,000	\$ 1,649,000	\$ 845,000	\$ 2,944,000

Leon County, Florida
Notes to Financial Statements
September 30, 2004

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

C. Automobile Liability

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

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

NOTE XII. SEGMENT INFORMATION - ENTERPRISE FUNDS

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

NOTE XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Excess of Expenditures Over Appropriations

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

B. Excess of Expenditures Over Revenue in the Budget Column

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

C. Deficit Fund Balances

The County's Extended Local Option Sales Tax is the only governmental fund which has a deficit fund balance. At September 30, 2004, the amount of the deficit is \$255,763. This is a result of funding projects in order to start work on approved projects prior to receiving tax dollars as described in NOTE XIV-B. This fund has borrowed \$2,425,000 to date from the Local Option sales tax fund. The deficit fund balance and loan will be resolved in future years. A payment plan has been developed for the loan while the deficit fund balance will be alleviated as taxes are collected in future years.

Leon County, Florida
Notes to Financial Statements
September 30, 2004

**NOTE XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES
(CONTINUED)**

C. Deficit Fund Balances (Continued)

The County's motor pool fund is the only proprietary fund which has a deficit equity balance. At September 30, 2004, the amount of the deficit is \$68,095 which is a reduction from fiscal year 2003 of \$120,886. This reduction is the result of increased fees. The entire deficit is expected to be liquidated from subsequent years revenues.

NOTE XIV. COMMITMENTS AND CONTINGENCIES

A. Contract Commitments

Lease Income

In June 2003, the Board purchased a commercial office building the (Bank of America) referred to as the (BOA) building. There are several noncancellable operating lease agreements for the rental of office space in this 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, 2004 are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2005	\$ 1,683,549
2006	1,578,123
2007	1,506,434
2008	1,473,209
2009	1,362,408
2010-2012	2,276,926
Total future lease receipts	<u>\$ 9,880,649</u>

The property being leased is included in the statement of net assets governmental activities column with a carrying value of \$15,255,387 and depreciation expense of \$380,206 for fiscal 2004. The facility is carried as an governmental activity because the county purchased the building to provide offices for County staff over the next twenty years.

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

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

At September 30, 2004, 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,	
2005	\$ 462,892
2006	421,260
2007	421,089
2008	409,602
2009	382,302
2010 through 2012	923,885
Total Future Minimum Lease Payments	<u>\$ 3,021,030</u>

Lease expenditures incurred under operating leases for the year ended September 30, 2004 were \$434,502.

The Sheriff is committed to various operating leases for certain office and telephone equipment. Operating leases are generally defined as leases that do not transfer benefits and risks of ownership to the lessee. For the year ended September 30, 2004, equipment lease expenses were \$291,083. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

2005	\$ 77,292
2006	36,466
2007	24,903
2008	17,196
2009	13,938
Thereafter	23,400
Total Future Minimum Lease Payments	<u>\$ 193,195</u>

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

Leon County, Florida
Notes to Financial Statements
September 30, 2004

NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grants

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

Advance Funding for Road Improvements

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

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

NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A. Contract Commitments (Continued)

Advance Funding for Road Improvements (Continued)

The advance funding is reimbursable by the FDOT, contingent upon the State appropriating the funds in future years. As of September 30, 2004, the Board has received cumulative reimbursements of \$14,383,796.

Long-Term Construction Projects

The County is committed to various material long-term construction projects at September 30, 2004. These commitments have been included in the 2003-2004 fiscal year budget and the five-year Capital Improvement Program and certain amounts have been reserved in the capital projects fund. Current contracts outstanding as of the report date approximate \$3.6 million as compared to \$2.7 million for fiscal year ended 2003.

B. Blueprint 2000 Intergovernmental Agency

In October 2000, the County entered into an interlocal agreement with the City of Tallahassee as authorized by Section 163.01(7), Florida Statutes. This agreement created the Blueprint 2000 Intergovernmental Agency to govern the project management structure for the project planning and construction of the Blueprint 2000 projects. The Board of County Commissioners and the City Commission constitute the Blueprint 2000 Intergovernmental Agency. The revenues to fund the projects under this agreement will be collections of the local government infrastructure sales surtax, beginning October 1, 2004, extended pursuant to the provisions in Section 212.055, Florida Statutes, until September 30, 2019. In March 2003, Blueprint 2000 issued \$70 million in debt maturing in 2019 at 3.58%. These bonds were issued to finance the projects approved by the voters of Leon County.

Financial statements may be obtained from the Blueprint 2000 Intergovernmental Agency at 918 Railroad Avenue, Tallahassee, Florida, 32310.

C. Potential Liabilities Resulting from Litigation

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

NOTE XV. SUBSEQUENT EVENTS

The County is preparing to issue \$50 million in debt during the month of April 2005. The debt will be comprised of \$35 million in refunded debt and \$15 million in new debt. Market conditions and net present value savings will determine when and if this transaction is complete.