

Special-Purpose Financial Statements

Board of County Commissioners
Leon County, Florida

*Year ended September 30, 2007
with Report of Independent Auditors*

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

Board of County Commissioners
Leon County, Florida

Special-Purpose Financial Statements

Year ended September 30, 2007

Board of County Commissioners

Cliff Thael.....	At Large
Ed DePuy, Chairman	At Large
Bill Proctor.....	District 1
Jane G. Sauls, Vice Chairman.....	District 2
John E. Dailey.....	District 3
Bryan Desloge.....	District 4
Bob Rackleff.....	District 5

COUNTY ADMINISTRATOR

Parwez Alam

CLERK OF THE CIRCUIT COURT

Bob Inzer

Board of County Commissioners
Leon County, Florida

Special-Purpose Financial Statements

Year ended September 30, 2007

Contents

Independent Auditors' Report	1
Audited Special-Purpose Financial Statements	
Balance Sheet - Governmental Funds.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Balance Sheet - Proprietary Funds.....	7
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	8
Statement of Cash Flows - Proprietary Funds	9
Budgetary Comparison Statement - General Fund.....	10
Budgetary Comparison Statement - Fine and Forfeiture Fund.....	11
Budgetary Comparison Statement – Grants Fund	12
Budgetary Comparison Statement – Special Assessment Paving Fund	13
Statement of Fiduciary Assets and Liabilities - Agency Fund	14
Notes to Special-Purpose Financial Statements.....	15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44
Management Letter	46

Independent Auditors' Report

The Honorable Board of County
Commissioners
Leon County, Florida

We have audited the accompanying special-purpose financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of County Commissioners of Leon County, Florida (the Board) as of and for the fiscal year ended, September 30, 2007, as shown on pages 3 through 14. These special-purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Chapter 218.39(2), *Florida Statutes* and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*, and are intended to present the financial position, and the changes in financial position, where applicable, of only that portion of the government activities and the aggregate remaining fund information that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2007, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of County Commissioners of Leon County, Florida, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2008, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

February 15, 2008

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Board of County Commissioners
Leon County, Florida

Balance Sheet - Governmental Funds

September 30, 2007

	<u>General</u>	<u>Fine & Forfeiture</u>	<u>Grants Fund</u>	<u>Special Assessment Paving</u>
Assets:				
Cash	\$ 859,291	\$ 714,625	\$ 323,841	\$ 332,531
Investments	28,035,356	12,611,109	3,233,020	-
Receivables (net of allowances for uncollectibles)				
Accounts	557,288	83,576	-	-
Special assessments	-	-	-	1,869,544
Intergovernmental	1,426,193	8,233	2,148,822	-
Due from other county units	2,042,643	1,298,577	17,732	-
Inventories	252,452	-	-	-
Other assets	-	-	-	-
Advances to other funds	20,000	-	-	-
Total assets	<u>\$ 33,193,223</u>	<u>\$ 14,716,120</u>	<u>\$ 5,723,415</u>	<u>\$ 2,202,075</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,171,235	\$ 36,222	\$ 133,786	\$ 240
Accrued liabilities	354,681	-	4,977	-
Intergovernmental payables	1,655	-	-	-
Due to other county units	17,959	49,333	98,069	-
Deposits	51,157	193,491	-	-
Deferred revenue	-	-	3,880,535	1,869,544
Total liabilities	<u>1,596,687</u>	<u>279,046</u>	<u>4,117,367</u>	<u>1,869,784</u>
Fund balances:				
Reserved for encumbrances	31,421	-	-	-
Reserved for advances to other funds	20,000	-	-	-
Unreserved, reported in:				
General fund	31,545,115	-	-	-
Special revenue funds	-	14,437,074	1,606,048	332,291
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>31,596,536</u>	<u>14,437,074</u>	<u>1,606,048</u>	<u>332,291</u>
Total liabilities and fund balances	<u>\$ 33,193,223</u>	<u>\$ 14,716,120</u>	<u>\$ 5,723,415</u>	<u>\$ 2,202,075</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Capital Improvement Fund	Local Option Sales Tax	Other Governmental Funds	Component Unit - Housing Finance Authority of Leon County	Total Governmental Funds
\$ 226,514	\$ 2,153,509	\$ 8,619,314	\$ 412,390	\$ 13,642,015
18,766,548	31,148,249	54,972,866	-	148,767,148
124,361	206,411	1,629,721	-	2,601,357
-	-	-	-	1,869,544
93,215	-	2,471,000	-	6,147,463
-	-	527,561	-	3,886,513
-	-	-	-	252,452
-	-	2,568	-	2,568
-	-	-	-	20,000
<u>\$ 19,210,638</u>	<u>\$ 33,508,169</u>	<u>\$ 68,223,030</u>	<u>\$ 412,390</u>	<u>\$ 177,189,060</u>
\$ 283,968	\$ 532,806	\$ 1,986,086	\$ 3,019	\$ 4,147,362
-	-	415,263	-	774,921
-	-	78,942	-	80,597
-	66,430	101,579	-	333,370
60,000	-	112,568	-	417,216
-	-	787,816	-	6,537,895
<u>343,968</u>	<u>599,236</u>	<u>3,482,254</u>	<u>3,019</u>	<u>12,291,361</u>
608,205	-	1,770,734	-	2,410,360
-	-	-	-	20,000
-	-	-	-	31,545,115
-	-	35,774,938	409,371	52,559,722
-	-	372,520	-	372,520
18,258,465	32,908,933	26,822,584	-	77,989,982
<u>18,866,670</u>	<u>32,908,933</u>	<u>64,740,776</u>	<u>409,371</u>	<u>164,897,699</u>
<u>\$ 19,210,638</u>	<u>\$ 33,508,169</u>	<u>\$ 68,223,030</u>	<u>\$ 412,390</u>	<u>\$ 177,189,060</u>

Board of County Commissioners
Leon County, Florida

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

Year Ended September 30, 2007

	General	Fine & Forfeiture	Grants Fund	Special Assessment Paving
Revenues:				
Taxes	\$ 59,631,094	\$ 56,891,631	\$ -	\$ -
Licenses and permits	212,674	-	-	-
Intergovernmental	19,031,303	15,928	4,526,937	-
Charges for services	1,930,372	843,552	272,642	-
Fines and forfeitures	-	172,694	-	-
Interest	2,336,948	1,143,782	226,056	158,181
Miscellaneous	309,838	655	206,906	259,102
Total revenues	<u>83,452,229</u>	<u>59,068,242</u>	<u>5,232,541</u>	<u>417,283</u>
Expenditures:				
Current:				
General government	17,364,112	-	40,953	-
Public safety	289,058	-	829,005	-
Physical environment	2,150,531	-	2,825,053	-
Transportation	-	-	75,394	-
Economic environment	3,672,331	-	303,995	-
Human services	5,108,456	105,792	255,124	-
Culture and recreation	7,096,716	-	783,762	-
Judicial	206,011	2,682,346	79,939	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Other debt service costs	-	-	-	-
Total expenditures	<u>35,887,215</u>	<u>2,788,138</u>	<u>5,193,225</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>47,565,014</u>	<u>56,280,104</u>	<u>39,316</u>	<u>417,283</u>
Other financing sources (uses):				
Transfers in	2,152,512	1,901,346	900,528	-
Transfers out	(49,702,240)	(55,597,995)	(121,800)	(315,325)
Total other financing sources (uses)	<u>(47,549,728)</u>	<u>(53,696,649)</u>	<u>778,728</u>	<u>(315,325)</u>
Net change in fund balance	15,286	2,583,455	818,044	101,958
Fund balances at beginning of year	31,581,250	11,853,619	788,004	230,333
Fund balances at end of year	<u>\$ 31,596,536</u>	<u>\$ 14,437,074</u>	<u>\$ 1,606,048</u>	<u>\$ 332,291</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Capital Improvement Fund	Local Option Sales Tax	Other Governmental Funds	Component Unit - Housing Finance Authority of Leon County	Total Governmental Funds
\$ -	\$ -	\$ 25,234,894	\$ -	\$ 141,757,619
-	-	3,371,901	-	3,584,575
-	-	5,084,569	-	28,658,737
41,030	76,329	13,878,550	68,356	17,110,831
-	-	636,991	-	809,685
942,348	2,028,907	3,365,286	20,434	10,221,942
70,050	-	1,751,660	-	2,598,211
1,053,428	2,105,236	53,323,851	88,790	204,741,600
2,732,460	-	4,981,194	-	25,118,719
499,963	253,630	19,872,896	-	21,744,552
2,755,624	-	10,700,496	-	18,431,704
87,700	9,188,553	10,232,201	-	19,583,848
-	-	4,318,225	68,658	8,363,209
176,407	-	4,999,597	-	10,645,376
1,944,838	-	4,171,268	-	13,996,584
-	-	204,320	-	3,172,616
-	-	4,730,311	-	4,730,311
-	-	4,656,474	-	4,656,474
-	-	5,059	-	5,059
8,196,992	9,442,183	68,872,041	68,658	130,448,452
(7,143,564)	(7,336,947)	(15,548,190)	20,132	74,293,148
13,529,845	-	28,227,494	-	46,711,725
(177,325)	-	(8,379,196)	-	(114,293,881)
13,352,520	-	19,848,298	-	(67,582,156)
6,208,956	(7,336,947)	4,300,108	20,132	6,710,992
12,657,714	40,245,880	60,440,668	389,239	158,186,707
\$ 18,866,670	\$ 32,908,933	\$ 64,740,776	\$ 409,371	\$ 164,897,699

Board of County Commissioners
Leon County, Florida

Balance Sheet - Proprietary Funds

September 30, 2007

	Business-type Activities- Proprietary Funds			Governmental
	Landfill Fund	Amtrak Non-major Fund	Totals	Activities- Internal Service Funds
Assets				
Current assets:				
Cash	\$ 404,957	\$ 127,946	\$ 532,903	\$ 246,286
Cash with fiscal agent	-	-	-	39,708
Investments	9,344,493	-	9,344,493	7,730,425
Accounts receivable	1,129,766	-	1,129,766	-
Due from other county units	279	-	279	-
Inventories	-	-	-	65,667
Total current assets	<u>10,879,495</u>	<u>127,946</u>	<u>11,007,441</u>	<u>8,082,086</u>
Noncurrent assets:				
Restricted cash and investments	6,023,621	-	6,023,621	-
Capital assets:				
Land	1,809,843	600,000	2,409,843	-
Depreciable, net of accumulated depreciation	11,108,772	773,681	11,882,453	-
Total noncurrent assets	<u>18,942,236</u>	<u>1,373,681</u>	<u>20,315,917</u>	<u>-</u>
Total assets	<u>\$ 29,821,731</u>	<u>\$ 1,501,627</u>	<u>\$ 31,323,358</u>	<u>\$ 8,082,086</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 70,262	\$ -	\$ 70,262	\$ 142,398
Accrued liabilities	45,677	-	45,677	14,139
Advances from other funds	-	-	-	20,000
Other current liabilities	-	-	-	2,701,000
Total current liabilities	<u>115,939</u>	<u>-</u>	<u>115,939</u>	<u>2,877,537</u>
Noncurrent liabilities:				
Liability for closure costs/maintenance	12,923,336	-	12,923,336	-
Total noncurrent liabilities	<u>12,923,336</u>	<u>-</u>	<u>12,923,336</u>	<u>-</u>
Total liabilities	<u>13,039,275</u>	<u>-</u>	<u>13,039,275</u>	<u>2,877,537</u>
Net assets				
Invested in capital assets, net of related debt	12,918,615	1,373,681	14,292,296	-
Designated for rate stabilization	3,863,841	-	3,863,841	-
Unrestricted	-	127,946	127,946	5,204,549
Total net assets	<u>16,782,456</u>	<u>1,501,627</u>	<u>18,284,083</u>	<u>5,204,549</u>
Total liabilities and net asset:	<u>\$ 29,821,731</u>	<u>\$ 1,501,627</u>	<u>\$ 31,323,358</u>	<u>\$ 8,082,086</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Board of County Commissioners
Leon County, Florida

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

Year Ended September 30, 2007

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Landfill Fund	Non-major Funds	Totals	
Operating revenues:				
Charges for services	\$ 8,198,899	\$ -	\$ 8,198,899	\$ 8,366,084
Intergovernmental	1,750	-	1,750	-
Total operating revenues	<u>8,200,649</u>	<u>-</u>	<u>8,200,649</u>	<u>8,366,084</u>
Operating expenses:				
Personal services	2,284,033	-	2,284,033	678,613
Contractual services	4,989,680	-	4,989,680	137,510
Supplies	386,248	-	386,248	1,194,507
Communication services	25,731	-	25,731	284,503
Insurance	154,227	-	154,227	4,115,180
Utility services	522,391	-	522,391	18,458
Depreciation	755,394	-	755,394	-
Other services and charges	3,164,542	3,428	3,167,970	710,629
Total operating expenses	<u>12,282,246</u>	<u>3,428</u>	<u>12,285,674</u>	<u>7,139,400</u>
Operating income (loss)	<u>(4,081,597)</u>	<u>(3,428)</u>	<u>(4,085,025)</u>	<u>1,226,684</u>
Nonoperating revenues (expenses):				
Taxes	1,309,728	-	1,309,728	-
Interest revenue	862,390	6,516	868,906	422,424
Miscellaneous	311,219	-	311,219	-
Total nonoperating revenues (expenses)	<u>2,483,337</u>	<u>6,516</u>	<u>2,489,853</u>	<u>422,424</u>
Income (loss) before contributions and transfers	<u>(1,598,260)</u>	<u>3,088</u>	<u>(1,595,172)</u>	<u>1,649,108</u>
Transfers In	1,063,680	-	1,063,680	-
Transfers out	<u>(26,211)</u>	<u>-</u>	<u>(26,211)</u>	<u>-</u>
Change in net assets	<u>(560,791)</u>	<u>3,088</u>	<u>(557,703)</u>	<u>1,649,108</u>
Net assets at beginning of year	<u>17,343,247</u>	<u>1,498,539</u>	<u>18,841,786</u>	<u>3,555,441</u>
Net assets at end of year	<u>\$ 16,782,456</u>	<u>\$ 1,501,627</u>	<u>\$ 18,284,083</u>	<u>\$ 5,204,549</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Board of County Commissioners
Leon County, Florida

Statement of Cash Flows - Proprietary Funds

Year Ended September 30, 2007

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds		Totals	
	Landfill Fund	Amtrak Non-major Fund		
Cash flows from operating activities				
Receipts from customers	\$ 8,980,023	\$ -	\$ 8,980,023	\$ 89,947
Payments to suppliers	(9,474,109)	(3,428)	(9,477,537)	(5,613,124)
Payments to employees	(2,287,812)	-	(2,287,812)	(683,036)
Internal activity - payments to other funds	(154,227)	-	(154,227)	(51,378)
Internal activity - cash received from other funds	1,750	-	1,750	8,439,323
Claims paid	-	-	-	(1,010,000)
Net cash (used in) provided by operating activities	(2,934,375)	(3,428)	(2,937,803)	1,171,732
Cash flows from noncapital financing activities				
Tax proceeds	1,309,728	-	1,309,728	-
Repayments on interfund loans	384	-	384	-
Transfers from other funds	1,063,680	-	1,063,680	-
Transfers to other funds	(26,211)	-	(26,211)	-
Net cash provided by noncapital financing activities	2,347,581	-	2,347,581	-
Cash flows from capital and related financing activities				
Sale of property	311,219	-	311,219	-
Acquisition and/or construction of capital assets	(724,772)	-	(724,772)	-
Net cash used in capital and related financing activities	(413,553)	-	(413,553)	-
Cash flows from investing activities				
Proceeds from sales and maturities of investments	4,744,096	-	4,744,096	2,140,323
Purchases of investments	(4,494,606)	-	(4,494,606)	(3,862,053)
Interest and dividends received	923,497	6,516	930,013	422,424
Net cash provided by (used in) investing activities	1,172,987	6,516	1,179,503	(1,299,306)
Net increase (decrease) in cash	172,640	3,088	175,728	(127,574)
Cash at beginning of year	232,317	124,858	357,175	413,568
Cash at end of year	<u>\$ 404,957</u>	<u>\$ 127,946</u>	<u>\$ 532,903</u>	<u>\$ 285,994</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities				
Operating (loss) income	\$ (4,081,597)	\$ (3,428)	\$ (4,085,025)	\$ 1,226,684
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation expense	755,394	-	755,394	-
Change in assets and liabilities:				
Receivables	(60,740)	-	(60,740)	163,186
Inventories	-	-	-	(17,718)
Accounts payable and other liabilities	(385,517)	-	(385,517)	(195,997)
Accrued expenses	(3,779)	-	(3,779)	(4,423)
Other current liabilities	-	-	-	-
Estimated liability for closure costs/maintenance	841,864	-	841,864	-
Net cash (used in) provided by operating activities	<u>\$ (2,934,375)</u>	<u>\$ (3,428)</u>	<u>\$ (2,937,803)</u>	<u>\$ 1,171,732</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Board of County Commissioners
Leon County, Florida

Budgetary Comparison Statement - General Fund

Year Ended September 30, 2007

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 58,909,744	\$ 58,909,744	\$ 59,631,094	\$ 721,350
Licenses and permits	201,253	201,253	212,674	11,421
Intergovernmental	18,874,093	18,990,600	19,031,303	40,703
Charges for services	1,918,921	1,918,921	1,930,372	11,451
Interest	1,086,800	1,086,800	2,336,948	1,250,148
Miscellaneous	2,294,888	148,138	309,838	161,700
Total revenues	<u>83,285,699</u>	<u>81,255,456</u>	<u>83,452,229</u>	<u>2,196,773</u>
Expenditures:				
General government	17,749,486	19,135,012	17,364,112	1,770,900
Public safety	325,000	325,000	289,058	35,942
Physical environment	2,294,636	2,359,636	2,150,531	209,105
Economic environment	3,297,060	4,342,601	3,672,331	670,270
Human services	4,962,169	5,806,330	5,108,456	697,874
Culture and recreation	7,154,460	7,200,860	7,096,716	104,144
Judicial	205,890	210,890	206,011	4,879
Total expenditures	<u>35,988,701</u>	<u>39,380,329</u>	<u>35,887,215</u>	<u>3,493,114</u>
Excess of revenues over expenditure	47,296,998	41,875,127	47,565,014	5,689,887
Other financing (uses) sources :				
Transfers in	654,845	740,528	2,152,512	1,411,984
Transfers out	(49,742,184)	(50,737,883)	(49,702,240)	1,035,643
Total other financing sources (uses)	<u>(49,087,339)</u>	<u>(49,997,355)</u>	<u>(47,549,728)</u>	<u>2,447,627</u>
Net change in fund balance	(1,790,341)	(8,122,228)	15,286	8,137,514
Fund balance at beginning of year	31,581,250	31,581,250	31,581,250	-
Fund balance at end of year	<u>\$ 29,790,909</u>	<u>\$ 23,459,022</u>	<u>\$ 31,596,536</u>	<u>\$ 8,137,514</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Board of County Commissioners
Leon County, Florida

Budgetary Comparison Statement - Fine and Forfeiture Fund

Year Ended September 30, 2007

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 55,849,485	\$ 55,849,485	\$ 56,891,631	\$ 1,042,146
Intergovernmental	9,500	9,500	15,928	6,428
Charges for services	1,160,113	1,160,113	843,552	(316,561)
Fines and forfeitures	119,950	119,950	172,694	52,744
Interest	423,700	423,700	1,143,782	720,082
Miscellaneous	-	-	655	655
Total revenues	<u>57,562,748</u>	<u>57,562,748</u>	<u>59,068,242</u>	<u>1,505,494</u>
Expenditures:				
Human Services	300,000	130,125	105,792	24,333
Judicial	2,309,628	2,726,945	2,682,346	44,599
Total expenditures	<u>2,609,628</u>	<u>2,857,070</u>	<u>2,788,138</u>	<u>68,932</u>
Excess of revenues over expenditure	<u>54,953,120</u>	<u>54,705,678</u>	<u>56,280,104</u>	<u>1,574,426</u>
Other financing sources (uses)				
Transfers in	575,000	730,818	1,901,346	1,170,528
Transfers out	(55,378,120)	(55,597,995)	(55,597,995)	-
Total other financing sources (uses)	<u>(54,803,120)</u>	<u>(54,867,177)</u>	<u>(53,696,649)</u>	<u>1,170,528</u>
Net change in fund balance	150,000	(161,499)	2,583,455	2,744,954
Fund balance at beginning of year	11,853,619	11,853,619	11,853,619	-
Fund balance at end of year	<u>\$ 12,003,619</u>	<u>\$ 11,692,120</u>	<u>\$ 14,437,074</u>	<u>\$ 2,744,954</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Board of County Commissioners
Leon County, Florida

Budgetary Comparison Statement - Grants Fund

Year Ended September 30, 2007

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 504,344	\$ 9,556,014	4,526,937	(5,029,077)
Charges for services	155,033	298,315	272,642	(25,673)
Interest	-	3,918	226,056	222,138
Miscellaneous	-	2,553,149	206,906	(2,346,243)
Total revenues	659,377	12,411,396	5,232,541	(7,178,855)
Expenditures:				
General Government	-	43,933	40,953	2,980
Public Safety	628,263	1,074,061	829,005	245,056
Physical Environment	-	4,768,229	2,825,053	1,943,176
Transportation	-	2,350,833	75,394	2,275,439
Economic Environment	-	1,428,454	303,995	1,124,459
Human Services	155,033	371,090	255,124	115,966
Culture & Recreation	500,000	3,125,390	783,762	2,341,628
Judicial	-	143,138	79,939	63,199
Total expenditures	1,283,296	13,305,128	5,193,225	8,111,903
Excess (deficiency) of revenue over (under) expenditures	(623,919)	(893,732)	39,316	933,048
Other financing sources (uses)				
Transfers in	725,000	895,384	900,528	5,144
Transfers out	-	(143,138)	(121,800)	21,338
Total other financing sources (uses)	725,000	752,246	778,728	26,482
Net change in fund balance	101,081	(141,486)	818,044	959,530
Fund balance at beginning of year	788,004	788,004	788,004	-
Fund balance at end of year	\$ 889,085	\$ 646,518	\$ 1,606,048	\$ 959,530

The accompanying notes are an integral part of the special-purpose financial statements.

Board of County Commissioners
Leon County, Florida

Budgetary Comparison Statement - Special Assessment Paving Fund

Year Ended September 30, 2007

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Interest	\$ 136,082	\$ 136,082	\$ 158,181	\$ 22,099
Miscellaneous	173,825	173,825	259,102	85,277
Total revenues	<u>309,907</u>	<u>309,907</u>	<u>417,283</u>	<u>107,376</u>
Other financing sources (uses)				
Transfers out	(309,907)	(315,325)	(315,325)	-
Total other financing sources (uses)	<u>(309,907)</u>	<u>(315,325)</u>	<u>(315,325)</u>	<u>-</u>
Net change in fund balance	-	(5,418)	101,958	107,376
Fund balance at beginning of year	230,333	230,333	230,333	-
Fund balance at end of year	<u>\$ 230,333</u>	<u>\$ 224,915</u>	<u>\$ 332,291</u>	<u>\$ 107,376</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Board of County Commissioners
Leon County, Florida

Statement of Fiduciary Assets and Liabilities - Agency Fund

September 30, 2007

Assets

Cash	\$ 591,201
Accounts receivable	736,820
Total assets	<u>\$ 1,328,021</u>

Liabilities

Accounts payable	\$ 624,952
Accrued expenses	703,069
Total liabilities	<u>\$ 1,328,021</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

1. Accounting Policies

Reporting Entity

Leon 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. It 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 either alters or expands the powers of the elected officials via voter referendum. The accounting policies of Leon County, Florida conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies of Leon County Board of County Commissioners (the Board) are described below.

Effective October 1, 2003, the Board adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14. Statement No. 39 amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit.

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

Specific criteria used to determine financial accountability are:

- Selection of a voting majority of the governing body.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

1. Accounting Policies (continued)

Reporting Entity (continued)

- **Imposition of Will:** Ability to remove appointed members at will; ability to approve or modify rate charges affecting revenue; ability to appoint, hire or dismiss management.
- **Financial Benefit or Burden Relationship:** The Board is legally entitled to or can otherwise access the organization's resources; the Board is legally obligated or has otherwise assumed the obligation to finance the deficits of or provide support to the organization; or the Board 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; ability to approve debt issuances and/or tax levies.

Component Units

Financial statements of component units are included in the financial reporting entity either as a blended component unit or as a discretely presented component unit in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. At September 30, 2007, the only component unit of the Board is The Housing Finance Authority of Leon County (the Authority) which is discretely presented in a separate column on the Board'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; the budget is approved by the Board; all bonds issued and contracts entered into must be approved by the Board; the Board 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 Board 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 Board. Separate financial information for the Housing Finance Authority is available at 315 S. Calhoun Street, Tallahassee, Florida 32301 (Note 12.)

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

1. Accounting Policies (continued)

Component Units (continued)

Excluded from the Reporting Entity:

The Leon County Health Facilities Authority, Leon County Research and Development Authority, and Leon County Education Facilities Authority have been established under *Florida Statutes*, Chapter 159, Part V, Chapter 154, Part III and Chapter 243, respectively. Operations of the above authorities are not included in this report.

Other public entities located within Leon County and not included in the financial statements of the Board include municipalities and the following independent taxing districts authorized and established by the Laws of Florida:

Leon County School Board District
Leon County Health Department
Tallahassee - Leon County Civic Center Authority
Fallschase Special Taxing District
Northwest Florida Water Management District

These potential component units have been excluded because they do not meet the criteria for inclusion in the reporting entity.

Basis of Presentation

The special-purpose fund financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the Auditor General, State of Florida.

Description of Funds

The accounting records of the Board are organized for reporting purposes on the basis of governmental, proprietary, and fiduciary funds.

Governmental Fund Types

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

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

1. Accounting Policies (continued)

Description of Funds (continued)

Governmental Fund Types (continued)

- Special Revenue Funds - These funds are used to account for special assessments and specific governmental revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- Debt Service Funds - These funds are used to record the funding and payment of principal and interest on long-term debt.
- Capital Projects Funds - These funds are used to account for the acquisition or construction of major capital facilities other than those financed by the Proprietary Funds.

Proprietary Fund Types

- Enterprise Funds - These funds are used to report operations that provide services financed primarily by user charges, where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.
- Internal Service Funds - These funds account for goods or services provided by various departments to other departments of the Board on a cost-reimbursement basis.

Fiduciary Fund Types

- Agency Funds - These funds account for assets held by the Board as an agent for individuals, private organizations, and/or other governmental units. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

1. Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the fund financial statements and relates to the timing of the measurements made.

The accompanying financial statements have been prepared using the modified accrual basis of accounting for all Governmental Funds and Fiduciary Funds (Agency Funds). Accordingly, revenues are recognized when measurable and available to pay liabilities of the current period and expenditures are generally recorded when the liability is incurred and/or will be paid from expendable available financial resources. The Board considers receivables collected within 60 days after year-end to be available and susceptible to accrual as revenues of the current year. The following revenues are considered to be susceptible to accrual: taxes, charges for services, interest, state revenue sharing, federal forestry revenue, insurance agents' revenue, various other gas taxes, gas tax pourover trust, federal and state grants, planning and zoning revenue, municipal service franchise fees, and special assessments.

Expenditures are generally recorded when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recorded when due.

The financial statements of the Proprietary Funds are prepared on the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. The Proprietary Funds do not apply all FASB statements and interpretations issued after November 30, 1989.

Budgets and Budgetary Accounting

Florida Statutes, Chapter 129, Section 129.01 (2) (b), 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 Board 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 accounting principles generally accepted in the United States of America. 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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

1. Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

All annual appropriations lapse at fiscal year end, although the Board 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 Board uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before May 1 of each year, the designated budget officer submits to the Board a tentative budget for the ensuing fiscal year. The tentative budget includes proposed expenditures and funding sources.
2. The Board requires such changes to be made as it shall deem necessary, provided the budget remains in balance and subject to the notice and 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*. The legal level of budgetary control is at the fund level.
3. Public hearings are held pursuant to Section 200.065 of the *Florida Statutes* in order for the Board to adopt the tentative and final budgets.
4. Prior to October 1, the budget is legally enacted through passage of a resolution.
5. All changes to the final budget must be approved by the Board in accordance with Section 129.06 of the *Florida Statutes*.
6. Formal budgetary integration is used as a management control device during the year for all governmental funds of the Board.
7. Budgets for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

1. Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

Applicable budgets of Constitutional Officers are controlled by appropriations in accordance with budgetary requirements set forth in the *Florida Statutes*.

Cash and Investments

Cash includes amounts in demand deposits and a money market account. The Board's investments consist of U.S. Government obligations, repurchase agreements (collateralized by government securities) and commercial paper of prime quality and are reported at fair value.

Other investments are administered by the Florida State Board of Administration, an external investment pool that follows SEC Rule 2a-7 regulations, and are reported at amortized cost, which approximates fair value (see Note 14).

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered or goods provided resulting in receivables and payables that are classified as "due from other funds" or "due to other funds" on the balance sheet.

Advances to Other Funds

Noncurrent portions of long-term interfund receivables are reported as advances. The advances are offset equally by a reservation of fund balance that indicates they are not available for appropriation because they do not constitute expendable available financial resources.

Inventories

Inventories in the General Fund and Internal Service Funds consist of expendable supplies held for consumption. These items are considered expenditures/expenses when used. Inventories are stated at an average unit cost.

Restricted Assets

Investments that are held in escrow in accordance with the Florida Administrative Code requirement for landfill closure and post-closure costs are shown as restricted in the Enterprise Fund.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

1. Accounting Policies (continued)

Capital Assets

Capital assets purchased in the governmental fund types are recorded as expenditures (capital outlay) at the time of purchase. Such assets are reported as capital assets in the statement of net assets as part of the County-wide basic financial statements. The Board does not record depreciation of these assets on its governmental fund financial statements, although depreciation is recorded for such assets in the County-wide financial statements. Donated assets are recorded at fair market value at the date of donation. Accounting policies for capitalization and depreciation of infrastructure assets including roads, bridges, curbs, gutters, and sidewalks are described in the County-wide financial statements. A summary of capital assets purchased by the Board's governmental funds is provided in Note 4.

Fixed Assets

Fixed assets acquired in the Proprietary Funds are capitalized at cost. Gifts or contributions are recorded at fair market value at the time received. Depreciation on property and equipment in the Proprietary Funds is computed using the straight-line method over the estimated useful lives. The Board follows the policy of capitalizing interest as a component of the cost of proprietary fund type fixed assets constructed for its own use.

The general fixed assets used in the operations of the Board, Property Appraiser, Tax Collector, Clerk of the Circuit and County Courts, and Supervisor of Elections, and the real property used by the Sheriff are accounted for by the Board, as the Board holds legal title and is accountable for them under Florida law.

Liability for Compensated Absences

The Board accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. The Board 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 County-wide financial statement level.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

1. Accounting Policies (continued)

Executive Service Plan

Executive service and senior management employees of the Board 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.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative managerial plans or intent for future use of financial resources.

Common Expenses

Certain expenses that are common to the Board and all Constitutional Officers are reported as expenditures of the Board and, therefore, are not budgeted by or allocated to the other Constitutional Officers. These are:

- Occupancy costs
- Property insurance
- Utilities (except telephone)
- Janitorial service

Operating Transfers

The Board funds a portion or, in certain instances, all of the operating budgets of the County's Constitutional Officers. The payments by the Board to fund the operations of the Constitutional Officers are recorded as operating transfers out on the financial statements of the Board and as operating transfers in on the financial statements of the Constitutional Officers. Repayments to the Board are recorded as operating transfers out on the financial statements of the Constitutional Officers and as operating transfers in on the financial statements of the Board.

2. Property Taxes

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special taxing districts, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of Florida regulating tax assessments 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

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

2. Property Taxes (continued)

County is established by the Board prior to October 1 of each year. The millage rate collected by the Board during the current fiscal year was 7.99 mills. County citizens were also assessed for emergency medical services and primary health care services through Municipal Services Taxing Units at millage rates of 0.5 and 0.00 mills, respectively. For County citizens charged a special assessment, the required annual payment is included on their tax bill.

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

All taxes are due and payable on November 1 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 2007 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, 2007.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

3. Cash and Investments

As of September 30, 2007, the value of the Board's deposits and investments, with their respective credit ratings, was as follows:

	<u>Carrying Amount</u>	<u>Credit Rating</u>	<u>Maturity</u>
Deposits in Qualified Public Depositories	\$ 14,639,722	NA	NA
External Investment in State Pool: Local Government Surplus Funds Trust Fund	109,577,543	Unrated	<90 days
Externally Managed Portfolio:			Effective Duration
U.S. Treasury Notes	2,428,863	NA	4.34
U.S. Agencies	272,494	NA	0.24
Federal Instrumentalities	34,061,981	NA	1.93
Certificates of Deposit	587,016	AA-	1.60
Mortgage Backed Securities	633,170	AAA	0.09
Corporate Bonds	3,727,048	A	0.89
Corporate Bonds	763,394	AA	1.36
Corporate Bonds	293,422	AAA	1.81
Municipal Bonds	1,592,446	A	1.21
Municipal Bonds	2,300,737	AA	1.55
Municipal Bonds	9,917,272	AAA	1.18
Asset-Backed Securities	5,710,300	AAA	1.08
Externally Managed Portfolio Effective Duration			1.68
Total Cash and Investments	<u>\$ 186,505,408</u>		

Credit Risk

The County Investment Policy provides a structure for the portfolio that is designed to minimize credit risk. The majority of the securities held will be those of the highest available credit quality. These would include state guaranteed pools, U. S. Government (AAA) securities, and commercial paper of only the highest applicable rating. To further limit the County's risk against possible credit losses, a maximum of 5% of the total portfolio may be held at any one time in all securities of any corporate entity, inclusive of commercial paper, medium term notes,

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

3. Cash and Investments (continued)

Credit Risk (continued)

or corporate notes and bonds. Credit quality risk identified with S&P ratings or Moody equivalents is provided in the table above. Deposits and investments not exposed to credit quality risk, as defined by GASB 40, are designated as “NA” in the credit rating column. The Local Government Surplus Trust Fund is not rated by statistical rating organizations.

Florida Statutes, Chapter 218.415(17), stipulates the state-approved investment policy for all governmental entities and includes the following investments:

1. The Local Government Surplus Funds Trust Fund or any authorized intergovernmental investment pool.
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities.
6. Securities of, or other interests in, any management type investment company or trust registered under the Investment Company Act of 1940, where the investment portfolio is limited to United States Government Obligations.
7. Other investments authorized by law or by ordinance for a county or a municipality.

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

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

3. Cash and Investments (continued)

Credit Risk (continued)

To provide liquidity for operations, the County maintains a core level of cash with the Local Government Surplus Funds Trust Fund (LGSF). The LGSF is administered by the Florida State Board of Administration (SBA). The LGSF is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. The LGSF is governed by Chapter 19-7 of the *Florida Administrative Code*, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Florida Office of the Auditor General performs the operational audit of the activities and investments of the SBA. The County's fair value of their position in the pool approximates its value of the pool shares. Investments with SBA are not evidenced by securities that exist in physical or book entry form (see Note 14).

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure or the failure of the counterparty, the government's deposits may not be returned to it, or may not be able to recover the value of its investments that are in the possession of an outside party.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. The County's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2007, were \$16,980,715.

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of investments. The County manages interest rate risk by setting the range of duration for the County's portfolio as 0.5 years to 2.5 years, with a five-year average of 1.5 years. The effective duration of investments is listed in the preceding table.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

3. Cash and Investments (continued)

Interest Rate Risk (continued)

The externally managed portfolio totaling \$62,288,143 at September 30, 2007, was invested for a weighted average term of 899 days. The County also requires a minimum balance of short-term investments. The portfolio shall maintain in liquid investments (defined as repurchase agreements purchased under the terms of the County's depository contract, open repurchase agreements, negotiable certificates of deposit, banker's acceptance, commercial paper, U.S. Treasury direct and agency obligations, all having a maturity of 90 days or less, the SBA, LGSF, and the Treasury Special Purpose Investment Account) a minimum balance equal to one-twelfth of the then-current fiscal year's budgeted operating expenditures. The average term for the LGSF managed by the SBA was 34 days.

Foreign Currency Risk

The County contributes to the Florida Retirement System (System), the investments of which are administered by the SBA. The System's investment policy and exposure to foreign currency risk is disclosed in the State of Florida Comprehensive Annual Financial Report. A copy of this report is available at http://www.fldfs.com/aadir/statewide_financial_reporting/index.htm.

4. Fixed Assets

A summary of changes in fixed assets and depreciation for the year ended September 30, 2006, follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Land	\$ 17,892,714	\$ 1,666,002	\$ -	\$ 19,558,716
Improvements other than buildings	10,846,121	66,755	-	10,912,876
Buildings and improvements	155,968,128	259,721	-	156,227,849
Equipment	38,098,701	3,539,278	(4,613,437)	37,024,542
Construction in progress	5,906,985	10,002,282	(295,126)	15,614,141
Totals at historical cost	<u>\$ 228,712,649</u>	<u>\$ 15,534,038</u>	<u>\$ (4,908,563)</u>	<u>\$ 239,338,124</u>

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

4. Fixed Assets (continued)

Depreciation on capital assets used in governmental activities is recorded in the County-wide financial statements of Leon County.

	Beginning Balance	Additions	Reductions	Ending Balance
Business type activities:				
Land	\$ 2,409,843	\$ -	\$ -	\$ 2,409,843
Buildings and improvements	18,962,429	-	-	18,962,429
Equipment	6,076,874	1,114,070	(614,383)	6,576,561
Totals at historical cost	<u>27,449,146</u>	<u>1,114,070</u>	<u>(614,383)</u>	<u>27,948,833</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,954,723)	(58,603)	-	(11,013,326)
Equipment	(2,171,505)	(696,791)	225,090	(2,643,206)
Total accumulated depreciation	<u>(13,126,228)</u>	<u>(755,394)</u>	<u>225,090</u>	<u>(13,656,532)</u>
	<u>\$ 14,322,918</u>	<u>\$ 358,676</u>	<u>\$ (389,293)</u>	<u>\$ 14,292,301</u>

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

5. Long-Term Debt

A. A summary of changes in the long-term debt of the Board follows:

Long-Term Debt	Balance October 1, 2006	(Reductions)	Additions	Balance September 30, 2007	Due Within One Year
Special revenue debt:					
Capital Improvement Revenue Bonds, Series 1997	325,000	(325,000)	-	-	-
Refunding Revenue Bonds, Series 1993	1,625,000	(1,625,000)	-	-	-
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	16,480,000	(2,005,000)	-	14,475,000	2,115,000
Capital Improvement Revenue Bonds, Series 1999	4,400,000	(290,000)	-	4,110,000	2,005,000
Capital Improvement Refunding Revenue Bonds, Series 2005	54,495,000	(205,000)	-	54,290,000	555,000
Total special revenue debt	97,755,000	(4,450,000)	-	93,305,000	4,675,000
Note payable	4,466,238	(280,311)	-	4,185,927	310,882
Liability for compensated absences	3,473,803	-	494,201	3,968,004	-
Arbitrage rebate liability	25,000	-	-	25,000	25,000
	<u>\$ 105,720,041</u>	<u>\$ (4,730,311)</u>	<u>\$ 494,201</u>	<u>\$ 101,483,931</u>	<u>\$ 5,010,882</u>

Total interest costs incurred for general long-term debt by the Board for the year ended September 30, 2007, were \$4,656,474.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

5. Long-Term Debt (continued)

B. A summary of each special revenue debt obligation outstanding at September 30, 2007 is as follows:

	Outstanding at September 30, 2007
<p>\$54,695,000, Capital Improvement Revenue Refunding Bonds, Series 2005, (i) to finance a portion of the cost of the Series 2005 Project, (ii) to refund the County's Capital Improvement Revenue Bonds, Series 1997, maturing in the years 2008 through 2017, (iii) to refund the County's Capital Improvement Revenue Bonds, Series 1998A, maturing in the years 2014 through 2017, (iv) to refund the County's Capital Improvement Revenue Bonds, Series 1999, maturing in the years 2010 through 2017, (v) to pay capitalized interest on a portion of the Series 2005 Bonds, and (vi) to pay the costs of issuance of the 2005 Bonds, including the premiums in respect of a financial guaranty insurance policy and the surety bond to be deposited into the Reserve Fund. The bonds dated March 30, 2005, are in denominations of \$5,000 each and bear interest from 3% to 5% per annum. The interest on the bonds is payable on April 1, and October 1, beginning October 1, 2006. The bond principal matures serially on October 1 of each year beginning October 1, 2006.</p>	\$ 54,290,000
<p>\$28,395,000 Capital Improvement and Refunding Revenue Bonds, Series 1998B, to: (i) refund the Capital Improvement Anticipation Notes, Series 1991 and (ii) pay the bond issuance costs. The bonds, dated July 6, 1999, are in denominations of \$5,000 each and bear interest of 5.25% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 1999. The bond principal matures serially on October 1 of each year beginning October 1, 1999.</p>	14,475,000
<p>\$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 4.70% 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.</p>	4,110,000

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

5. Long-Term Debt (continued)

**Outstanding at
September 30,
2007**

\$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

\$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

The Capital Improvement Revenue Bonds, Series 2003A and 1999, the Capital Improvement and Refunding Revenue Bonds, Series 2005, 1998B, and Taxable Capital Improvement Revenue Bonds, Series 2003B are parity bonds payable from and secured by a lien upon certain non-ad valorem revenue. The pledged revenues include the Local Government Half-Cent Sales Tax, Guaranteed Entitlement, Race Track Funds and other miscellaneous non-ad valorem revenue sources.

Total Special Revenue Debt

\$ 93,305,000

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

5. Long-Term Debt (continued)

Note payable is comprised of the following:

Banc of America Leasing & Capital, LLC

On November 18, 2005, the BOCC borrowed \$4,466,238, (including \$3,986,522 tax exempt, and \$479,686 taxable), under provision of Section 489.145 *Florida Statutes*. Interest rates are 3.74% and 5.85% for the tax exempt and taxable portion, respectively. The proceeds were used to purchase energy savings equipment. The taxable portion matures on May 18, 2008, and the tax-exempt portion matures on May 18, 2018.

**Outstanding at
September 30,
2007**

\$ 4,185,927

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Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

5. Long-Term Debt (continued)

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

	Year ending September 30,				
	2008	2009	2010	2011	2012
Capital Improvement Revenue Refunding Bonds, Series 2005	\$ 2,896,538	\$ 2,894,888	\$ 5,097,075	\$ 5,101,400	\$ 5,100,425
Capital Improvement Revenue Refunding Bonds, Series 1998B	2,874,937	2,873,900	2,877,088	2,873,975	2,874,563
Capital Improvement Revenue Bonds, Series 1999	2,200,275	2,206,040	—	—	—
Capital Improvement Revenue Bonds, Series 2003A	352,170	352,170	352,170	352,170	352,170
Taxable Capital Improvement Revenue Bonds, Series 2003B	601,510	601,510	601,510	601,510	601,510
Note payable	472,101	460,000	460,000	484,514	484,514
Total Debt Service	\$ 9,397,531	\$ 9,388,508	\$ 9,387,843	\$ 9,413,569	\$ 9,413,182

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

2013 - 2017	2018 – 2022	2023– 2025	Total Payments	Less: Interest	Principal
\$ 36,986,969	\$ 9,200,405	\$ 10,520,950	\$ 77,798,650	\$ 23,508,650	\$ 54,290,000
2,873,325	–	–	17,247,788	2,772,788	14,475,000
–	–	–	4,406,315	296,315	4,110,000
1,760,850	8,975,020	–	12,496,720	4,531,720	7,965,000
3,007,550	13,375,940	–	19,391,040	6,926,040	12,465,000
2,422,567	484,514	–	5,268,210	1,082,283	4,185,927
<u>\$ 47,051,261</u>	<u>\$ 32,035,879</u>	<u>\$ 10,520,950</u>	<u>\$ 136,608,723</u>	<u>\$ 39,117,796</u>	<u>\$ 97,490,927</u>

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

5. Long-Term Debt (continued)

D. Refunded Obligations

The Board 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 Board; 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 Board would be required to fund any deficiency. At September 30, 2007, \$60,950,000 of outstanding general long-term debt special revenue bonds is considered defeased as follows:

Capital Improvement Revenue Refunding Bonds, Series 1991	\$ 16,450,000
Capital Improvement Revenue Bonds, Series 1989	590,000
Capital Improvement and Refunding Revenue Bonds, Series 1986	15,590,000
Capital Improvement Bonds, Series 1977	100,000
Capital Improvement Bonds, Series 1976	100,000
Capital Improvement Revenue Bonds, Series 1997	4,360,000
Capital Improvement Revenue Bonds, Series 1998A	9,710,000
Capital Improvement Revenue Bonds, Series 1999	23,760,000
	<u>\$ 70,660,000</u>

6. Employees' Retirement Plan

All full-time employees of the Board are eligible to participate in the Florida Retirement System (System), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS) administered by the State of Florida Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates, and vesting requirements by membership category is provided in the County-wide financial statements for Leon County, Florida. Contributions and benefits are established by Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

6. Employees' Retirement Plan (continued)

The contributions required for the years ended September 30, 2007, 2006, and 2005 were \$3,720,027, \$2,979,501, and \$2,473,523, respectively, which is equal to the required contribution for each year.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida 32315-9000, or by calling 850-488-5706.

7. Risk Management

General Liability

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

Workers' Compensation

The Board 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 Board absorbs losses up to a maximum of \$350,000 for each claim. At September 30, 2007, the Board had \$40,000 deposited with the third-party administrator for use against future claims. The Board 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 Board 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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

7. Risk Management (continued)

Workers' Compensation (continued)

The claims liability for workers' compensation of \$2,574,000, which includes an actuarial evaluation for incurred but not reported claims of \$1,528,277, is included in other current liabilities and reported in the Internal Service Fund at September 30, 2007. 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 2007 were as follows:

Beginning of Fiscal-Year	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
\$ 2,679,000	\$ 905,000	\$ 1,010,000	\$ 2,574,000

Automobile Liability

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

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

8. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. The Board had \$2,410,360 reserved for encumbrances at September 30, 2007.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

9. Lease Income

In June 2003, the Board purchased the Bank of America building. There are several noncancellable operating lease agreements for the rental of its building. The lease agreements provide for monthly rentals, which escalate over the lease terms and expire on various dates. Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2007, are as follows:

Year ending September 30,	Amount
2008	\$ 1,310,077
2009	1,280,121
2010	1,257,713
2011	1,173,269
2012	505,247
	\$ 5,526,427

10. Other Required Individual Fund Disclosures

Individual interfund receivable and payable balances - Such balances at September 30, 2007, were:

	Advances	
	To	From
General Fund	\$ 20,000	\$ -
Internal Service Fund	-	20,000
	\$ 20,000	\$ 20,000

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

11. Closure and Post-closure 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 \$12,923,336 reported as landfill closure and post-closure care liability at September 30, 2007, represents the cumulative amount reported to date based on the use of 92.87% 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 \$673,782 as the remaining estimated capacity is filled (approximately 6 years). These amounts are based on what it would cost to perform closure and post-closure care in 2007 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. The Board is in compliance with those minimum requirements, and at September 30, 2007, held investments with a fair value of \$6,023,621 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.

12. Component Unit – Housing Finance Authority of Leon County

The Authority had the following bonds outstanding at September 30, 2007, pursuant to its authorization:

	<u>Amount Outstanding</u>
Single Family Mortgage Revenue and Refunding Bonds:	
Series 1995 A	\$ 560,000
Series 1995 B	450,000
	<u>\$ 1,010,000</u>

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

12. 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.

13. Commitments and Contingencies

A. Contract commitments:

Grants

The Board 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 Board. Accordingly, such liabilities are not reflected within the financial statements.

Long-Term Construction Projects

The Board is committed to various material long-term construction projects at September 30, 2007. These commitments have been included in the 2006-2007 fiscal year budget and the five-year Capital Improvement Program and certain amounts have been reserved in the capital projects fund. Current contracts outstanding as of the report date approximate \$5.6 million.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

13. Commitments and Contingencies (continued)

Advance Funding for Road Improvements

The state of Florida has enacted legislation to allow for 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>

The advance funding is reimbursable by the FDOT, contingent upon the State appropriating the funds in future years. As of September 30, 2007, the Board has received cumulative reimbursements of \$32,171,959.

B. Potential liabilities resulting from litigation:

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

14. Subsequent Events

As discussed in Note 3, at September 30, 2007, the Board had \$109,577,543 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (the Pool). On November 13, 2007, the Board withdrew all funds invested at that date from the Pool. The funds withdrawn have been deposited in a demand deposit account with a qualified public depository.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2007

14. Subsequent Events (continued)

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by an additional \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

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

Based on information received from the Leon County Property Appraiser's Office, the estimated annual loss of property tax revenues for Leon county from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$10.6 million. The estimated loss for portability is \$2.1 million based on numbers used by the legislature. There is no estimate made for the impact of 10% assessment cap on non-homestead property.

Internal Control and Compliance Section

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Special-Purpose Financial
Statements Performed in Accordance with *Government Auditing Standards*

September 30, 2007

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Board of County
Commissioners
Leon County, Florida

We have audited the special-purpose financial statements of the Board of County Commissioners of Leon County, Florida (the Board) as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated February 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters pursuant to the *Rules of the Auditor General*, Chapter 10.550 that we have reported to the management of the Board of County Commissioners in a separate letter dated February 15, 2008.

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

Thomas Howell Ferguson P.A.

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

February 15, 2008

Management Letter

To the Honorable Board of County Commissioners
Leon County, Florida

We have audited the special-purpose financial statements of the Board of County Commissioners of Leon County, Florida (the Board), as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated February 15, 2008.

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. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated February 15, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Board complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. A summary of the status of prior year recommendations is as follows:

Documentation for fixed assets purchased with Federal and State awards.

The *OMB Circular A-133 Compliance Supplement*, Part 3 – Compliance Requirements and the Florida Department of Financial Service's *State Projects Compliance Supplement*, Part 3 – Compliance Requirements, indicate that the recipient's property records should identify property acquired with federal and/or state funds and the percentage of federal and/or state participation in the cost of the asset. During performance of our audit compliance testing, we noted that the Property Clerk's records did not contain this information. We recommended that a procedure be developed to insure that this information is incorporated into the Property Clerk's records.

Current year Status: Corrective action is in process. Fixed asset tracking software has been purchased and will be implemented in the 2007-2008 fiscal year.

Management's Response: We are presently in the process of implementing the software that was purchased for the tracking of fixed assets. When the software has been implemented this information will be tracked through this software.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. A summary of current year recommendations is as follows:

Recording of expenses related to grant funding

During Single Audit testing, it was noted that expenditures in the amount of \$1,242,405 were recorded in funds 309 and 306 at September 30, 2006 for the Okeechepkee Basin Retrofit cost reimbursable grant. The County received \$500,000 of grant monies during the current fiscal year for this grant. Because these expenditures were not properly recorded in fund 125, grant expenditures were not properly shown on the Schedule of Federal Awards and State Financial Assistance at September 30, 2006. This omission was discovered by finance personnel when the grant monies were received in the current fiscal year and they were not able to locate the expenditures. Additionally, after the completion of interim work three additional grants were discovered for which the expenditures were also recorded in fund 309 for a total of \$1,133,540. We recommend that a procedure be developed to ensure that grant expenditures are recorded properly.

Management's Response: Management concurs that a procedure needs to be established to ensure that grant expenditures are recorded in the proper fund.

Submission of progress reports

The County received a \$500,000 grant from the Florida Department of Environmental Protection for the construction of the Harbinwood Estates drainage improvements. Per review of the grant agreement, progress reports are to be submitted to describe the work performed, problems encountered, problem resolution, schedule updates, and proposed work for the next reporting period. Progress reports should be submitted no later than 20 days following the completion of the quarterly reporting period (calendar quarters ending March 31, June 30, September 30 and December 31). The quarterly reports had not been submitted because there was no activity to report. However, construction began in June 2007; therefore, in order to be in compliance with the grant agreement, a report should have been submitted containing minimum information regarding the initiation of the construction and to report on proposed work for the upcoming quarter. We recommend that progress reports be submitted as required by the grant agreement.

Management's Response: Management concurs that progress reports should be submitted in a timely manner per the grant agreement.

Filing of travel expense reports

Based on the Board Travel Expense Policy No. 01-10 dated September 21, 2004, within 10 days of completing authorized travel, travelers must file a Travel Expense Report form, which should reflect the entire cost of the trip, including all advances and direct payments made. Of the eight travel expenses tested, three had not completed a Travel Expense Report to reflect the entire cost of their trips, including advance purchases made with a purchase card. We suggest the County comply with their policies with respect to travel expenses and the documentation thereof.

Management's Response: Management concurs that all employees of the County should follow the procedures established.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority for the primary government and each component unit of the reporting entity are disclosed in Note 1 of the Notes to the Financial Statements. The Leon County Housing Finance Authority, a component unit of Leon County, was authorized pursuant to Chapter 159, Part IV, of the *Florida Statutes* and was created by Leon County Ordinance 80-39.

Page Four

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.554(1)(i).

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

Thomas Howell Ferguson C.A.

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

February 15, 2008