

Special-Purpose Financial Statements

Board of County Commissioners
Leon County, Florida

*Year ended September 30, 2008
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, 2008

Board of County Commissioners

Cliff Thael	At Large
Ed DePuy	At Large
Bill Proctor	District 1
Jane G. Sauls, Chairman	District 2
John E. Dailey	District 3
Bryan Desloge, Vice Chairman	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, 2008

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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 unit, 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, 2008, 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 Section 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, 2008, 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 unit, each major fund, and the aggregate remaining fund information of the Board of County Commissioners of Leon County, Florida, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2009, 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, Brown & Munroe P.A.

February 23, 2009

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Board of County Commissioners
Leon County, Florida

Balance Sheet - Governmental Funds

September 30, 2008

	<u>General</u>	<u>Fine & Forfeiture</u>	<u>Grants Fund</u>	<u>Special Assessment Paving</u>
Assets				
Cash	\$ 296,760	\$ 9,304	\$ 187,776	\$ 461,266
Investments	15,905,581	5,250,150	2,941,940	-
Receivables (net of allowances for uncollectibles)				
Accounts	786,097	14,407	8,073	-
Special assessments	12,144	-	-	1,776,986
Intergovernmental	1,275,986	11,684	636,240	-
Due from other funds	-	-	-	-
Due from other county units	1,853,067	2,068,221	16,128	207
Inventories	248,770	-	-	-
Other assets	13,337	-	-	-
Advances to other funds	20,000	-	-	-
Total assets	<u>\$ 20,411,742</u>	<u>\$ 7,353,766</u>	<u>\$ 3,790,157</u>	<u>\$ 2,238,459</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,132,047	\$ 2,534	\$ 145,240	\$ 540
Accrued liabilities	100,854	-	1,161	-
Intergovernmental payables	974	-	2,665	-
Due to other funds	-	-	-	-
Due to other county units	5,995	-	8,287	-
Deposits	51,157	251,736	-	-
Deferred revenue	-	-	2,184,152	1,743,967
Total liabilities	<u>1,291,027</u>	<u>254,270</u>	<u>2,341,505</u>	<u>1,744,507</u>
Fund balances:				
Reserved for encumbrances	13,471	-	-	-
Reserved for advances to other funds	20,000	-	-	-
Unreserved, reported in:				
General fund	19,087,244	-	-	-
Special revenue funds	-	7,099,496	1,448,652	493,952
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>19,120,715</u>	<u>7,099,496</u>	<u>1,448,652</u>	<u>493,952</u>
Total liabilities and fund balances	<u>\$ 20,411,742</u>	<u>\$ 7,353,766</u>	<u>\$ 3,790,157</u>	<u>\$ 2,238,459</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
\$ 2,661	\$ 1,829,741	\$ 6,396,516	\$ 230,215	\$ 9,414,239
46,121,677	42,534,489	52,793,418	-	165,547,255
126,563	116,719	1,879,156	-	2,931,015
-	-	12,639	10	1,801,779
93,215	-	3,285,590	-	5,302,715
-	-	9,001	-	9,001
-	-	614,700	-	4,552,323
-	-	-	-	248,770
-	-	804	-	14,141
-	-	-	-	20,000
<u>\$ 46,344,116</u>	<u>\$ 44,480,949</u>	<u>\$ 64,991,824</u>	<u>\$ 230,225</u>	<u>\$ 189,841,238</u>
\$ 229,336	\$ 154,622	\$ 1,720,969	\$ 507	\$ 3,385,795
-	-	225,444	-	327,459
-	-	60,778	-	64,417
-	-	9,001	-	9,001
-	-	-	-	14,282
149,925	-	108,005	-	560,823
-	-	575,989	-	4,504,108
<u>379,261</u>	<u>154,622</u>	<u>2,700,186</u>	<u>507</u>	<u>8,865,885</u>
6,508,768	-	195,519	-	6,717,758
-	-	-	-	20,000
-	-	-	-	19,087,244
-	-	33,292,257	229,718	42,564,075
-	-	373,566	-	373,566
<u>39,456,087</u>	<u>44,326,327</u>	<u>28,430,296</u>	<u>-</u>	<u>112,212,710</u>
<u>45,964,855</u>	<u>44,326,327</u>	<u>62,291,638</u>	<u>229,718</u>	<u>180,975,353</u>
<u>\$ 46,344,116</u>	<u>\$ 44,480,949</u>	<u>\$ 64,991,824</u>	<u>\$ 230,225</u>	<u>\$ 189,841,238</u>

Board of County Commissioners
Leon County, Florida

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

Year ended September 30, 2008

	General	Fine & Forfeiture	Grants Fund	Special Assessment Paving
Revenues				
Taxes	\$ 54,870,479	\$ 61,782,032	\$ -	\$ -
Licenses and permits	218,206	-	-	-
Intergovernmental	17,762,609	17,538	2,674,650	-
Charges for services	1,698,207	926,031	184,611	-
Fines and forfeitures	-	170,224	-	-
Interest	948,032	752,518	116,750	128,849
Miscellaneous	658,726	-	2,082,674	340,221
Total revenues	<u>76,156,259</u>	<u>63,648,343</u>	<u>5,058,685</u>	<u>469,070</u>
Expenditures				
Current:				
General government	13,241,574	-	-	-
Public safety	375,000	-	644,922	-
Physical environment	2,004,895	-	1,235,441	-
Transportation	-	-	2,127,421	-
Economic environment	2,416,272	-	453,932	-
Human services	5,779,644	-	196,712	-
Culture and recreation	6,150,717	-	671,276	-
Judicial	2,519,784	2,772,617	85,703	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Other debt service costs	-	-	-	-
Total expenditures	<u>32,487,886</u>	<u>2,772,617</u>	<u>5,415,407</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,668,373</u>	<u>60,875,726</u>	<u>(356,722)</u>	<u>469,070</u>
Other financing sources (uses):				
Transfers in	8,407,120	1,746,994	343,537	-
Transfers out	(64,551,314)	(69,960,298)	(144,211)	(307,409)
Total other financing sources (uses)	<u>(56,144,194)</u>	<u>(68,213,304)</u>	<u>199,326</u>	<u>(307,409)</u>
Net change in fund balances	(12,475,821)	(7,337,578)	(157,396)	161,661
Fund balances at beginning of year	31,596,536	14,437,074	1,606,048	332,291
Fund balances at end of year	<u>\$ 19,120,715</u>	<u>\$ 7,099,496</u>	<u>\$ 1,448,652</u>	<u>\$ 493,952</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
\$ -	\$ -	\$ 26,000,350	\$ -	\$ 142,652,861
-	-	2,779,143	-	2,997,349
-	-	4,998,912	-	25,453,709
242,677	16,015,856	13,933,214	34,824	33,035,420
-	-	672,573	-	842,797
1,042,144	1,328,760	2,605,053	12,557	6,934,663
119,976	14,015	2,042,794	-	5,258,406
1,404,797	17,358,631	53,032,039	47,381	217,175,205
2,957,014	64,463	2,001,248	-	18,264,299
4,058,752	-	22,478,038	-	27,556,712
932,640	-	9,841,782	-	14,014,758
535,668	5,876,774	9,773,350	-	18,313,213
-	-	4,486,713	227,034	7,583,951
286,126	-	4,038,874	-	10,301,356
1,324,291	-	4,445,400	-	12,591,684
480,117	-	4,127,124	-	9,985,345
-	-	4,985,882	-	4,985,882
-	-	4,411,649	-	4,411,649
-	-	2,956	-	2,956
10,574,608	5,941,237	70,593,016	227,034	128,011,805
(9,169,811)	11,417,394	(17,560,977)	(179,653)	89,163,400
36,267,996	-	28,267,484	-	75,033,131
-	-	(13,155,645)	-	(148,118,877)
36,267,996	-	15,111,839	-	(73,085,746)
27,098,185	11,417,394	(2,449,138)	(179,653)	16,077,654
18,866,670	32,908,933	64,740,776	409,371	164,897,699
\$ 45,964,855	\$ 44,326,327	\$ 62,291,638	\$ 229,718	\$ 180,975,353

Board of County Commissioners
Leon County, Florida

Balance Sheet - Proprietary Funds

September 30, 2008

	Business-type Activities Proprietary Funds			Governmental Activities
	Landfill Fund	Amtrak Non-major Fund	Totals	Internal Service Funds
Assets				
Current assets:				
Cash	\$ 956	\$ 132,899	\$ 133,855	\$ 169,130
Cash with fiscal agent	-	-	-	39,708
Investments	9,793,127	-	9,793,127	8,766,473
Accounts receivable	721,835	-	721,835	24,056
Intergovernmental receivables	82,663	-	82,663	13,290
Due from other funds	-	-	-	122,005
Due from other county units	252	-	252	-
Inventories	-	-	-	52,738
Total current assets	<u>10,598,833</u>	<u>132,899</u>	<u>10,731,732</u>	<u>9,187,400</u>
Noncurrent assets:				
Restricted cash and investments	6,539,887	-	6,539,887	-
Capital assets:				
Land	1,809,844	600,000	2,409,844	-
Depreciable, net of accumulated depreciation	11,102,460	773,681	11,876,141	-
Total noncurrent assets	<u>19,452,191</u>	<u>1,373,681</u>	<u>20,825,872</u>	<u>-</u>
Total assets	<u>\$ 30,051,024</u>	<u>\$ 1,506,580</u>	<u>\$ 31,557,604</u>	<u>\$ 9,187,400</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 520,330	\$ -	\$ 520,330	\$ 213,451
Accrued liabilities	49,146	-	49,146	3,762
Due to other funds	-	-	-	122,005
Advances from other funds	-	-	-	20,000
Other current liabilities	-	-	-	3,438,000
Total current liabilities	<u>569,476</u>	<u>-</u>	<u>569,476</u>	<u>3,797,218</u>
Noncurrent liabilities:				
Liability for closure costs/maintenance	13,511,227	-	13,511,227	-
Total noncurrent liabilities	<u>13,511,227</u>	<u>-</u>	<u>13,511,227</u>	<u>-</u>
Total liabilities	<u>14,080,703</u>	<u>-</u>	<u>14,080,703</u>	<u>3,797,218</u>
Net assets				
Invested in capital assets, net of related debt				
Designated for rate stabilization	12,912,304	1,373,681	14,285,985	-
Unrestricted	3,058,017	-	3,058,017	-
Total net assets	<u>-</u>	<u>132,899</u>	<u>132,899</u>	<u>5,390,182</u>
Total net assets	<u>15,970,321</u>	<u>1,506,580</u>	<u>17,476,901</u>	<u>5,390,182</u>
Total liabilities and net asset:	<u>\$ 30,051,024</u>	<u>\$ 1,506,580</u>	<u>\$ 31,557,604</u>	<u>\$ 9,187,400</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, 2008

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Landfill Fund	Non-major Funds	Totals	
Operating revenues				
Charges for services	\$ 8,429,062	\$ -	\$ 8,429,062	\$ 8,912,434
Total operating revenues	8,429,062	-	8,429,062	8,912,434
Operating expenses				
Personal services	2,372,704	-	2,372,704	668,035
Contractual services	5,825,993	-	5,825,993	116,887
Supplies	432,710	-	432,710	1,876,413
Communication services	22,446	-	22,446	688,405
Insurance	159,589	-	159,589	4,544,582
Utility services	571,219	-	571,219	3,213
Depreciation	659,981	-	659,981	-
Other services and charges	1,757,645	-	1,757,645	1,142,761
Total operating expenses	11,802,287	-	11,802,287	9,040,296
Operating income (loss)	(3,373,225)	-	(3,373,225)	(127,862)
Nonoperating revenues (expenses):				
Taxes	1,360,490	-	1,360,490	-
Interest revenue	472,757	4,953	477,710	313,495
Miscellaneous	249,263	-	249,263	-
Total nonoperating revenues (expenses)	2,082,510	4,953	2,087,463	313,495
Income (loss) before contributions and transfers	(1,290,715)	4,953	(1,285,762)	185,633
Transfers in	505,790	-	505,790	-
Transfers out	(27,210)	-	(27,210)	-
Change in net assets	(812,135)	4,953	(807,182)	185,633
Net assets at beginning of year	16,782,456	1,501,627	18,284,083	5,204,549
Net assets at end of year	\$ 15,970,321	\$ 1,506,580	\$ 17,476,901	\$ 5,390,182

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, 2008

	Business-type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds		Totals	
	Landfill Fund	Non-major Fund		
Cash flows from operating activities				
Receipts from customers	\$ 9,451,762	\$ -	\$ 9,451,762	\$ 2,955,760
Payments to suppliers	(7,320,713)	-	(7,320,713)	(5,670,912)
Payments to employees	(2,369,235)	-	(2,369,235)	(677,732)
Internal activity - payments to other funds	(998,823)	-	(998,823)	(129,330)
Internal activity - cash received from other funds	-	-	-	5,942,909
Claims paid	-	-	-	(1,751,242)
Net cash (used in) provided by operating activities	(1,237,009)	-	(1,237,009)	669,453
Cash flows from noncapital financing activities				
Tax proceeds	1,360,490	-	1,360,490	-
Repayments on interfund loans	27	-	27	-
Transfers from other funds	505,790	-	505,790	-
Transfers to other funds	(27,210)	-	(27,210)	-
Net cash provided by noncapital financing activities	1,839,097	-	1,839,097	-
Cash flows from capital and related financing activities				
Sale of property	365,216	-	365,216	-
Acquisition and/or construction of capital assets	(852,286)	-	(852,286)	-
Net cash used in capital and related financing activities	(487,070)	-	(487,070)	-
Cash flows from investing activities				
Proceeds from sales and maturities of investments	4,552,413	-	4,552,413	3,613,973
Purchases of investments	(5,560,630)	-	(5,560,630)	(4,688,793)
Interest and dividends received	489,198	4,953	494,151	328,211
Net cash provided by (used in) investing activities	(519,019)	4,953	(514,066)	(746,609)
Net increase (decrease) in cash	(404,001)	4,953	(399,048)	(77,156)
Cash at beginning of year	404,957	127,946	532,903	285,994
Cash at end of year	\$ 956	\$ 132,899	\$ 133,855	\$ 208,838
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities				
Operating (loss) income	\$ (3,373,225)	\$ -	\$ (3,373,225)	\$ (127,862)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation expense	659,981	-	659,981	-
Change in assets and liabilities:				
Receivables	434,807	-	434,807	(135,295)
Inventories	-	-	-	12,929
Accounts payable and other liabilities	450,068	-	450,068	808,053
Accrued expenses	3,469	-	3,469	(10,377)
Other current liabilities	-	-	-	122,005
Estimated liability for closure costs/maintenance	587,891	-	587,891	-
Net cash (used in) provided by operating activities	\$ (1,237,009)	\$ -	\$ (1,237,009)	\$ 669,453

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, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes	\$ 54,442,306	\$ 54,442,306	\$ 54,870,479	\$ 428,173
Licenses and permits	207,040	207,040	218,206	11,166
Intergovernmental	18,707,759	18,727,376	17,762,609	(964,767)
Charges for services	1,875,028	1,875,028	1,698,207	(176,821)
Interest	1,074,519	1,074,519	948,032	(126,487)
Miscellaneous	125,519	171,159	658,726	487,567
Total revenues	<u>76,432,171</u>	<u>76,497,428</u>	<u>76,156,259</u>	<u>(341,169)</u>
Expenditures				
General government	16,928,005	17,716,301	13,241,574	4,474,727
Public safety	375,000	375,000	375,000	-
Physical environment	2,540,680	2,540,680	2,004,895	535,785
Economic environment	2,737,603	2,742,603	2,416,272	326,331
Human services	6,244,026	6,499,512	5,779,644	719,868
Culture and recreation	6,823,110	6,823,110	6,150,717	672,393
Judicial	209,125	214,125	2,519,784	(2,305,659)
Total expenditures	<u>35,857,549</u>	<u>36,911,331</u>	<u>32,487,886</u>	<u>4,423,445</u>
Excess of revenues over expenditure	40,574,622	39,586,097	43,668,373	4,082,276
Other financing (uses) sources:				
Transfers in	6,788,946	6,788,946	8,407,120	1,618,174
Transfers out	(56,575,847)	(65,373,962)	(64,551,314)	822,648
Total other financing	<u>(49,786,901)</u>	<u>(58,585,016)</u>	<u>(56,144,194)</u>	<u>2,440,822</u>
Net change in fund balance	(9,212,279)	(18,998,919)	(12,475,821)	6,523,098
Fund balance at beginning of year	31,596,536	31,596,536	31,596,536	-
Fund balance at end of year	<u>\$ 22,384,257</u>	<u>\$ 12,597,617</u>	<u>\$ 19,120,715</u>	<u>\$ 6,523,098</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, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 61,680,976	\$ 61,680,976	\$ 61,782,032	\$ 101,056
Intergovernmental	9,789	9,789	17,538	7,749
Charges for services	1,230,654	1,230,654	926,031	(304,623)
Fines and forfeitures	150,346	150,346	170,224	19,878
Interest	498,511	498,511	752,518	254,007
Total revenues	<u>63,570,276</u>	<u>63,570,276</u>	<u>63,648,343</u>	<u>78,067</u>
Expenditures				
Human services	195,985	150,985	-	150,985
Judicial	2,965,317	2,740,317	2,772,617	(32,300)
Total expenditures	<u>3,161,302</u>	<u>2,891,302</u>	<u>2,772,617</u>	<u>118,685</u>
Excess of revenues over expenditure	<u>60,408,974</u>	<u>60,678,974</u>	<u>60,875,726</u>	<u>196,752</u>
Other financing sources (uses)				
Transfers in	323,000	323,000	1,746,994	1,423,994
Transfers out	(66,115,298)	(69,960,298)	(69,960,298)	-
Total other financing sources (uses)	<u>(65,792,298)</u>	<u>(69,637,298)</u>	<u>(68,213,304)</u>	<u>1,423,994</u>
Net change in fund balance	(5,383,324)	(8,958,324)	(7,337,578)	1,620,746
Fund balance at beginning of year	14,437,074	14,437,074	14,437,074	-
Fund balance at end of year	<u>\$ 9,053,750</u>	<u>\$ 5,478,750</u>	<u>\$ 7,099,496</u>	<u>\$ 1,620,746</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, 2008

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Intergovernmental	\$ 374,233	\$ 5,281,161	\$ 2,674,650	\$ (2,606,511)
Charges for services	150,060	196,821	184,611	(12,210)
Interest	-	-	116,750	116,750
Miscellaneous	478,508	2,828,412	2,082,674	(745,738)
Total revenues	1,002,801	8,306,394	5,058,685	(3,247,709)
Expenditures				
General government	-	3,980	-	3,980
Public safety	499,870	1,009,766	644,922	364,844
Physical environment	-	1,880,679	1,235,441	645,238
Transportation	478,508	2,754,548	2,127,421	627,127
Economic environment	-	1,176,563	453,932	722,631
Human services	150,060	215,738	196,712	19,026
Culture and recreation	-	1,751,872	671,276	1,080,596
Judicial	-	335,407	85,703	249,704
Total expenditures	1,128,438	9,128,553	5,415,407	3,713,146
Excess (deficiency) of revenue over (under) expenditures	(125,637)	(822,159)	(356,722)	465,437
Other financing sources (uses)				
Transfers in	224,812	343,537	343,537	-
Transfers out	-	(31,779)	(144,211)	(112,432)
Total other financing sources (uses)	224,812	311,758	199,326	(112,432)
Net change in fund balance	99,175	(510,401)	(157,396)	353,005
Fund balance at beginning of year	1,606,048	1,606,048	1,606,048	-
Fund balance at end of year	\$ 1,705,223	\$ 1,095,647	\$ 1,448,652	\$ 353,005

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, 2008

	<u>Budget Amounts</u>		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Interest	\$ 136,999	\$ 136,999	\$ 128,849	\$ (8,150)
Miscellaneous	168,560	168,560	340,221	171,661
Total revenues	<u>305,559</u>	<u>305,559</u>	<u>469,070</u>	<u>163,511</u>
Other financing uses				
Transfers out	(305,559)	(305,559)	(307,409)	(1,850)
Total other financing uses	<u>(305,559)</u>	<u>(305,559)</u>	<u>(307,409)</u>	<u>(1,850)</u>
Net change in fund balance	-	-	161,661	161,661
Fund balance at beginning of year	332,291	332,291	332,291	-
Fund balance at end of year	<u>\$ 332,291</u>	<u>\$ 332,291</u>	<u>\$ 493,952</u>	<u>\$ 161,661</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, 2008

Assets

Cash	\$ 465,333
Accounts receivable	946,164
Total assets	<u>\$ 1,411,497</u>

Liabilities

Accounts payable	\$ 796,713
Accrued expenses	614,784
Total liabilities	<u>\$ 1,411,497</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, 2008

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, 2008

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, 2008, 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 13).

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

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

Governmental Major Funds:

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

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, 2008

1. Accounting Policies (continued)

Description of Funds (continued)

Governmental Major Funds (continued):

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

Grants Fund – This fund is used to account for the revenues and expenses of federal, state and local grants awarded to the county. This fund also includes the corresponding county matching funds for the various grants.

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

Capital Improvement Fund – This fund is used to account for the acquisition or construction of major non-transportation related capital facilities and/or projects other than those financed by proprietary funds.

Local Option Sales Tax – The Local Option Sales Tax Fund accounts for revenues generated by the local option one-cent sales tax. This tax, which was approved by the voters of Leon County in a referendum election held on November 4, 1989, provides for the levy of a one percent sales tax on every taxable item sold in the County and taxed pursuant to the provisions of Chapter 206, *Florida Statutes*. The statutory authority to collect these revenues expired October 31, 2004. Utilization of the proceeds of this tax is limited to the costs of acquisition, construction, reconstruction, and maintenance of roads and streets; and the costs of establishing, operating, and maintaining a transportation system and related facilities.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

1. Accounting Policies (continued)

Description of Funds (continued)

Proprietary Major Fund:

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

Other Fund Types:

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.

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.

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 current financial resources measurement focus and the modified accrual basis of accounting for all Governmental 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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

1. Accounting Policies (continued)

Basis of Accounting (continued)

The financial statements of the Proprietary Funds and Fiduciary Funds (Agency Funds) are prepared on the economic resources measurement focus and 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, 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.

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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

1. Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

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, *Florida Statutes* and the budget preparation and adoption procedures, as defined in Section 129.03, *Florida Statutes*. The legal level of budgetary control is at the fund level.
3. Public hearings are held pursuant to Section 200.065, *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, *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.

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. The Board's investments consist of U.S. Government obligations, money market funds, certificates of deposit, municipal bonds, and commercial paper of prime quality and are reported at fair value.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

1. Accounting Policies (continued)

Cash and Investments (continued)

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments of the Board are reported at amortized cost, which approximates fair value. Prior to November 13, 2007, other investments were administered by the Florida State Board of Administration (SBA) as authorized by Section 218.415 (17), *Florida Statutes*. On November 13, 2007, the Board withdrew all funds invested at that date from the SBA. The funds were deposited in a demand deposit account with a qualified public depository.

During the remainder of the 2007-2008 fiscal year, the Board invested in three different investment pools; the Special Purpose Investment Account (SPIA) within the Florida Treasury Investment Pool (the Pool) administered by the Florida Department of Financial Services, as authorized by Section 17.61(1), *Florida Statutes*; The Florida Local Government Investment Trust (FLGIT), a local government investment pool developed through the joint efforts of the Florida Association of Court Clerks (FACC) and the Florida Association of Counties (FAC); and The Florida Municipal Investment Trust (FMIT), administered by the Florida League of Cities, Inc. The FMIT is an Authorized Investment under Section 163.01, *Florida Statutes*.

The Board liquidates and reallocates investments throughout the year depending on whether the external pools authorized by *Florida Statutes* or the interest bearing accounts with approved public depositories provide the most favorable interest rates.

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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

1. Accounting Policies (continued)

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.

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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

1. Accounting Policies (continued)

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 on the County-wide Statement of Financial Position for Leon County, Florida.

Other Postemployment Benefits

The Board, through Leon County, offers retiree medical and life insurance benefits for qualifying Board employees that have retired from a Florida Retirement System (FRS) pension plan.

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

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

1. Accounting Policies (continued)

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.

Deficit Fund Balance

At September 30, 2008, the Motor Pool Fund had a fund balance deficit of \$80,298. This fund is used to account for the costs of operation, repair, and maintenance of County-owned vehicles and heavy equipment. Departments and outside agencies are billed for fuel, parts, and labor on a monthly basis. In 2008, fuel prices were volatile, making it difficult to determine the rate for billing customers and resulting in a deficit for 2008.

Use of Estimates

The preparation of the special-purpose financial statements is in conformity with accounting practices prescribed by the State of Florida, Office of the Auditor General, and requires management to make use of estimates that affect the reported amounts in the special-purpose financial statements. Actual results could differ from estimates.

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 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 7.213 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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

2. Property Taxes (continued)

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 2008 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, 2008.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

3. Cash and Investments

As of September 30, 2008, the value of the Board's deposits and investments, with their respective credit ratings, was as follows:

	Fair Value	Credit Rating	Duration
Deposits in Qualified Public Depositories	\$ 16,718,367	NA	NA
Money Market - US Government	80,613,915	AAAm	<90 days
Certificates of Deposit	20,000,000	NA	100-260 days
External Investment in Government Pools:			
Florida Local Government Investment Trust Government Fund (FLGIT)	9,939,999	AAA	1.63
Florida Municipal Investment Trust (FMIT) 1-3 Year High Quality Bond Fund	9,962,433	AAA/V2	1.33
Externally Managed Portfolio:			
U.S. Treasuries	4,120,108	NA	3.26
Federal Agencies	224,692	NA	0.15
Government Sponsored Agencies		AAA	1.44
Fannie Mae*	13,175,419		
Federal Home Loan Mortgage Corp*	11,482,183		
Other Government Sponsored Agencies	6,450,807		
Certificate of Deposit	597,201	AA	0.69
Mortgage-backed Securities	490,030	AAA	1.49
Corporate Bonds	412,495	AAA	3.29
Corporate Bonds	2,757,288	AA	2.47
Corporate Bonds	8,663,336	A	2.26

(continued)

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

3. Cash and Investments (continued)

	Fair Value	Credit Rating	Duration
Municipal Bonds	2,265,900	AAA	0.69
Municipal Bonds	5,474,451	AA	0.98
Municipal Bonds	2,297,755	A	1.35
Municipal Bonds	500,625	BBB	0.28
Asset-backed Securities	2,668,513	AAA	1.90
Asset-backed Securities	1,409,489	AA	0.94
Asset-backed Securities	483,673	BBB	0.13
Asset-backed Securities	117,644	BB	0.08
Total Cash and Investments	<u>\$200,826,323</u>		

*Represents a concentration of credit risk of 5% or more in a single issuer. This disclosure is in accordance with GASB. The Housing and Economic Recovery Act of 2008 (the Act) created a new government-sponsored entity (GSE) regulator, the Federal Housing Finance Agency (FHFA). Section 1117 of the Act gives the Treasury emergency authority (expiring on December 31, 2009) to purchase an unlimited amount of GSE debt or equity securities, if necessary, to provide stability to the financial markets. On September 7, 2008, the FHFA established a conservatorship for Fannie Mae and Freddie Mac. As conservator, the FHFA has taken over the assets and assumed all the powers of the shareholders, directors, and officers.

Credit Risk

The County Investment Policy provides a structure for the portfolio that is designed to minimize credit risk. The majority of the securities held will be those of the highest available credit quality ratings. These would include government pools, U.S. Government (AAA) securities, and commercial paper. Staff will notify the Investment Oversight Committee (IOC) at any time holdings drop below the minimum credit ratings specified in the policy. The IOC will consider the market environment and make recommendations to hold and continue to monitor the investments or liquidate the investments. To further limit the County's risk against possible credit losses, a maximum of 3% of the total portfolio managed by the County's external manager may be held at any one time in all securities of any corporate entity, inclusive of commercial paper, medium term notes, or corporate notes and bonds. The Policy provides that 45% of the external portfolio may be invested in Federal instrumentalities, with a limit of 15% of the portfolio in any one issuer. As noted above, Fannie Mae and Federal Home Loan Mortgage Corporation, government-sponsored agencies, represented a concentration of credit risk of more than 5% in a single issuer.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

3. Cash and Investments (continued)

Credit Risk (continued)

Section 218.415(16), *Florida Statutes*, 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.

In addition, Section 17.61(1), *Florida Statutes* permits organizations created by the Florida Constitution to participate in the existing State Treasury Investment Pool “Special Purpose Investment Account (SPIA).”

The County’s Investment Policy limits credit risk by restricting authorized investments to the following: Local Government Surplus Funds Trust Fund (LGSFT), 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, 2008

3. Cash and Investments (continued)

Credit Risk (continued)

The LGSFT is administered by the Florida State Board of Administration (SBA). The LGSFT is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. The LGSFT 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 LGSFT. Additionally, the Florida Office of the Auditor General performs audits of the operational activities and investments of the SBA. During the time of investment, 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.

On October 31, 2007, the SBA reported 3.4% of its assets had been downgraded below purchase guidelines. On November 9, 2007, the IOC voted to withdraw all Board funds from the SBA due to concerns about the quality of the assets in the pool and a lack of clear communications from the SBA. The Board received 100% of the principal of its investment of over \$90 million. The funds withdrawn were deposited in a demand deposit account with a qualified public depository earning the target federal funds rates less 5 basis points. At a special follow up meeting on December 12, 2007, upon reviewing the available information, the IOC voted to allocate assets formerly invested with SBA in CDs, money market mutual funds, and government investment pools.

The Chief Financial Officer for the State of Florida (formerly the State Treasurer) has been investing state revenues, excess revenues of state universities and community colleges and certain other public agencies in a commingled investment portfolio for several years. This program is authorized under Section 17.61(1), *Florida Statutes* and is called the Treasury Special Purpose Investment Account (SPIA). Historically, SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality. The financial details and disclosures for the Treasury Investment Pool are made in Note 2 to the State of Florida Comprehensive Annual Financial Report (CAFR). During the period from April 22 through September 24, 2008 balances ranged from \$20 million to \$30.4 million.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

3. Cash and Investments (continued)

Credit Risk (continued)

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At year end, the FLGIT was invested in money markets, Treasury Notes, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAA by Standard & Poor's. Investments in this pool are limited to a maximum of 15% of the portfolio. During the period from July 3, through September 30, 2008 balances ranged from \$9.96 million to \$10 million.

The FMIT is a similar investment pool operated by the Florida League of Cities. Its rating, investment parameters, and liquidity generally mirror those of the FLGIT. The 1 to 3 Year High Quality Bond Fund is designed to provide an investment pool alternative to those Members that have excess funds and that have an investment horizon greater than that of money market instruments. The investment objective is: 1) to preserve capital; 2) achieve a total rate of return that exceeds the return of T-Bills by 1% per year over rolling three-year periods; and 3) exceed the return of the Merrill Lynch One-to-Three-year Government Index over three-year periods. The Portfolio will generally invest in securities with greater potential returns and risk than those offered by money market type instruments. Due to the fact that the Portfolio will be investing in securities with an average maturity of approximately two years, increases in interest rates will cause declines in the net asset value of the Portfolio. Therefore, the Portfolio may be an inappropriate investment for funds required to meet short-term needs. The portfolio is managed by Atlanta Capital Management and maintains a AAA rating from Fitch. Investments in this pool are limited to a maximum of 15% of the portfolio. During the period from January 15th through September 30, 2008, balances ranged from \$9.94 million to \$10 million.

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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

3. Cash and Investments (continued)

Custodial Credit Risk (continued)

Qualified public depositories of public funds are required to provide collateral each month pursuant to Section 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, 2008, were \$19,958,784.

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

Interest Rate Risk

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

The externally managed portfolio totaled \$63,591,609 at September 30, 2008 was invested for a weighted average term of 944 days. The County requires a minimum balance of short term investments. The portfolio shall maintain in liquid investments (defined as repurchase agreements purchased under the terms of the County's depository contract, open repurchase agreements, negotiable certificates of deposit, banker's acceptance, commercial paper, U.S. Treasury direct and agency obligations, money market funds, all having a maturity of 90 days or less, and the Treasury Special Purpose Investment Account) a minimum balance equal to one-twelfth of the then-current fiscal year's budgeted operating expenditures. The Board was in compliance with this requirement.

Foreign Currency Risk

The County contributes to the Florida Retirement System (System), the investments of which are administered by the State Board of Administration. The System's investment policy and exposure to foreign currency risk is disclosed in Note 2 of the State of Florida Comprehensive Annual Financial Report. A copy of this report is available at http://www.fldfs.com/aadir/statewide_financial_reporting/index.htm.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

4. Fixed Assets

A summary of changes in fixed assets and depreciation for the year ended September 30, 2008, follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Land	\$ 19,558,716	\$ 50,000	\$ -	\$ 19,608,716
Improvements other than buildings	10,912,876	1,404,261	-	12,317,137
Buildings and improvements	156,227,849	131,636	-	156,359,485
Equipment	37,024,542	5,838,216	(2,033,333)	40,829,425
Construction in progress	15,614,141	8,512,797	(1,886,519)	22,240,419
Totals at historical cost	<u>\$239,338,124</u>	<u>\$15,936,910</u>	<u>\$ (3,919,852)</u>	<u>\$251,355,182</u>

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	\$ 2,409,844	\$ -	\$ -	\$ 2,409,844
Buildings and improvements	18,962,429	90,427	-	19,052,856
Equipment	6,576,561	761,860	(1,376,900)	5,961,521
Totals at historical cost	<u>27,948,834</u>	<u>852,287</u>	<u>(1,376,900)</u>	<u>27,424,221</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,013,326)	(53,126)	-	(11,066,452)
Equipment	(2,643,206)	(606,855)	1,178,277	(2,071,784)
Total accumulated depreciation	<u>(13,656,532)</u>	<u>(659,981)</u>	<u>1,178,277</u>	<u>(13,138,236)</u>
	<u>\$ 14,292,302</u>	<u>\$ 192,306</u>	<u>\$ (198,623)</u>	<u>\$ 14,285,985</u>

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

5. Long-Term Debt

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

Long-Term Debt	Balance October 1, 2007	(Reductions)	Additions	Balance September 30, 2008	Due Within One Year
Special revenue debt:					
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	14,475,000	(2,115,000)	—	12,360,000	2,225,000
Capital Improvement Revenue Bonds, Series 1999	4,110,000	(2,005,000)	—	2,105,000	2,105,000
Capital Improvement Refunding Revenue Bonds, Series 2005	54,290,000	(555,000)	—	53,735,000	570,000
Total special revenue debt	93,305,000	(4,675,000)	—	88,630,000	4,900,000
Note payable	4,185,927	(310,882)	—	3,875,045	314,498
Liability for compensated absences	3,968,004	—	137,265	4,105,269	—
Arbitrage rebate liability	25,000	—	—	25,000	—
	<u>\$101,483,931</u>	<u>\$ (4,985,882)</u>	<u>\$ 137,265</u>	<u>\$ 96,635,314</u>	<u>\$ 5,214,498</u>

Total interest costs incurred for general long-term debt by the Board for the year ended September 30, 2008, was \$4,411,649.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

5. Long-Term Debt (continued)

B. A summary of each special revenue debt obligation outstanding at September 30, 2008 is as follows:

	Outstanding at September 30, 2008 <hr style="width: 100%;"/>
<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>	<p>\$ 53,735,000</p>
<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>	<p>12,360,000</p>
<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>	<p>2,105,000</p>

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

5. Long-Term Debt (continued)

**Outstanding at
September 30,
2008**

\$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

\$ 88,630,000

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

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 matured on May 18, 2008, and the tax-exempt portion matures on May 18, 2018.

**Outstanding at
September 30,
2008**

\$ 3,875,045

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

5. Long-Term Debt (continued)

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

	Year ending September 30,				
	2009	2010	2011	2012	2013
Capital Improvement Revenue Refunding Bonds, Series 2005	\$ 2,894,888	\$ 5,097,075	\$ 5,101,400	\$ 5,100,425	\$ 5,097,219
Capital Improvement Revenue Refunding Bonds, Series 1998B	2,873,900	2,877,088	2,873,975	2,874,562	2,873,325
Capital Improvement Revenue Bonds, Series 1999	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	460,000	460,000	484,514	484,514	484,514
Total Debt Service	\$ 9,388,508	\$ 9,387,843	\$ 9,413,569	\$ 9,413,181	\$ 9,408,738

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

2014 - 2018	2019 - 2023	2024- 2026	Total Payments	Less Interest	Principal
\$ 32,619,581	\$ 11,978,975	\$ 7,012,550	\$ 74,902,113	\$ 21,167,113	\$ 53,735,000
-	-	-	14,372,850	2,012,850	12,360,000
-	-	-	2,206,040	101,040	2,105,000
2,170,850	8,212,850	-	12,144,550	4,179,550	7,965,000
9,092,550	6,689,430	-	18,789,530	6,324,530	12,465,000
2,422,566	-	-	4,796,108	921,063	3,875,045
<u>\$ 46,305,547</u>	<u>\$ 26,881,255</u>	<u>\$ 7,012,550</u>	<u>\$ 127,211,191</u>	<u>\$ 34,706,146</u>	<u>\$ 92,505,045</u>

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

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, 2008, \$66,210,000 of outstanding general long-term debt special revenue bonds is considered defeased as follows:

Capital Improvement Revenue Refunding Bonds, Series 1991	\$ 14,530,000
Capital Improvement and Refunding Revenue Bonds, Series 1986	13,850,000
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>\$ 66,210,000</u>

6. Employees' Retirement Plan

All full-time employees of the Board are eligible to participate in the Florida Retirement System (the FRS). The FRS includes various plans and programs, including a defined benefit pension plan (Pension Plan), which is primarily a cost-sharing, multiple-employer defined benefit public-employee pension plan. Information as to benefits, contribution rates, and vesting requirements by membership category is provided in the county-wide financial statements of Leon County, Florida. Contributions and benefits are established in Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined blended rates established by the State Legislature 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, 2008

6. Employees' Retirement Plan (continued)

The Board also participates in the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing, multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*. The benefit is a monthly cash payment to assist retirees of state-administered retirement systems in paying their health insurance costs. Additional information regarding benefits is provided in the county-wide financial statements of Leon County, Florida.

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2008, the contribution rate was 1.11 percent of payroll pursuant to Section 112.363, *Florida Statutes*.

The total retirement contributions for the fiscal years ended September 30, 2008, 2007, and 2006 were \$3,769,041, \$3,720,027, and \$2,979,501, respectively, which is equal to the required contribution for each year.

The Pension Plan and the HIS Program are administered by the State of Florida Department of Management Services, Division of Retirement. The Division of Retirement issues a publicly available FRS Annual Report that includes financial statements and required supplementary information for the Pension Plan and HIS Program. That report may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling 850-488-5706.

7. Other Postemployment Benefits

Plan Description. The Board participates in an agent multiple-employer plan administered by Leon County, Florida (the County) under which qualified retired employees are permitted to participate in the health and life insurance benefits program (the Program). The Program is considered by the County's insurance provider to be community-rated and the Program may be amended by the County's Board of County Commissioners. A stand alone financial report is not issued for the Program.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

7. Other Postemployment Benefits (continued)

Funding Policy. Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

Annual OPEB Cost and Net OPEB Obligation. As described in Note 1, the Board consists of elected Constitutional Officers of the County. The annual Other Postemployment Benefit (OPEB) obligation of Constitutional Officers is recognized in the county-wide financial statements of the County and the obligation associated with each Constitutional Officer is disclosed within the notes of their respective financial statements. The County's OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by Governmental Accounting Standards Board Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the Board's share of the County's annual OPEB cost, its actual contributions and changes in the Board's share of the County's net OPEB obligation:

Normal cost (service cost for one year)	\$ 227,490
Amortization of unfunded actuarial accrued liability	178,621
Interest on normal cost and amortization	<u>16,245</u>
Annual required contribution	422,356
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	422,356
Contributions made	<u>(214,931)</u>
Increase in net OPEB obligation	207,425
Net OPEB obligation at beginning of year	<u>-</u>
Net OPEB obligation at end of year	<u><u>\$ 207,425</u></u>

The percentage of annual OPEB cost contributed to the plan for fiscal year 2008 was 50.9%.

Funded Status and Funding Progress. As of September 30, 2008, the Board's share of the actuarial accrued liability for benefits recognized in the County's financial statements was \$3,212,287, all of which was unfunded. The Board's covered payroll (annual payroll of active employees covered by the plan) was \$30,593,263. The ratio of the Board's actuarial accrued liability to the Board's covered payroll was 10.5% at September 30, 2008.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

7. Other Postemployment Benefits (continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation. The actuarial calculations reflect a long-term perspective and the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the October 1, 2007 actuarial valuation, the projected unit credit method of funding was used. The objective under that method is to fund each participant's benefits under the plan as they would accrue, taking into consideration the plan's benefit allocation formula. Thus, the total benefit value each participant is expected to become entitled to is broken down into units, each associated with a year of past or future credited service. The actuarial assumptions included a 4% rate of return based on the estimated long-term investments that are expected to be used to finance the payment of the benefits. In addition, the actuarial assumptions included a 3% salary growth rate. The unfunded actuarial liability is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008, was 30 years.

8. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The following is a summary of the County's coverage and exposure relating to the various risks of loss retained as of September 30, 2008.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

8. Risk Management (continued)

General Liability

Effective October 1, 2002, the Board purchased 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. FACT administers insurance activities related to general liability and absorbs losses up to a specified annual amount. FACT/Board will be liable for claims that occurred prior to October 1, 2001. The Board maintained a \$10,000 deductible with each insurance carrier.

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2008	\$ 100,000	\$ 7,000	\$ -	\$ 107,000
September 30, 2007	\$ 63,000	\$ 37,000	\$ -	\$ 100,000

The claims liability of \$107,000 includes an actuarial valuation for incurred but not reported claims of \$19,110.

Workers' Compensation

The Board maintains a self-insurance Internal Service Fund (the Fund) to account for insurance activities relating to workers' compensation, which is administered by a third-party administrator, Preferred Governmental Claims Solutions. Under this program, the Board absorbs losses up to a maximum of \$350,000 for each claim. At September 30, 2008, 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 retention level for this commercial coverage in the current year and any of the past four years.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

8. Risk Management (continued)

Workers' Compensation (continued)

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 and to establish a reserve for catastrophic losses. Net assets of the Self Insurance Fund are reserved for anticipated future catastrophic losses pursuant to County policy and GASB Statement No. 10.

The actuarially-determined claims liability for workers' compensation of \$3,298,000, which includes incurred but not reported claims of \$2,458,277, reported in the Fund at September 30, 2008 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 the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2008	\$ 2,574,000	\$ 1,582,000	\$ 858,000	\$3,298,000
September 30, 2007	\$ 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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

8. Risk Management (continued)

Automobile Liability (continued)

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. Changes in the Fund's claims liability were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2008	\$ 27,000	\$ 6,000	\$ -	\$ 33,000
September 30, 2007	\$ 35,000	\$ (8,000)	\$ -	\$ 27,000

The claims liability of \$33,000 includes an actuarial valuation for incurred but not reported claims of \$5,520.

9. 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 \$6,717,758 reserved for encumbrances at September 30, 2008.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

10. 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, 2008, are as follows:

Year ending September 30,	Amount
2009	\$ 1,305,114
2010	1,230,775
2011	1,142,380
2012	500,184
2013	283,756
	\$ 4,462,209

11. Other Required Individual Fund Disclosures

Individual interfund receivable and payable balances – Such balances at September 30, 2008, were:

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

Fund	Interfund Receivable	Interfund Payable
Primary Care MSTU	\$ 9,001	\$ –
Special Assessment Sewer	–	9,001
Insurance Service Fund	122,005	–
Motor Pool Fund	–	122,005
	\$ 131,006	\$ 131,006

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

11. Other Required Individual Fund Disclosures (continued)

Interfund balances in the Governmental Funds primarily represent repayments due from other funds responsible for particular expenditures to the funds that initially paid for them. Interfund balances are due and payable within one year.

Interfund Transfers for the year ended September 30, 2008, consisted of the following:

Transfers to the General Fund from:	
Fine & Forfeiture Fund	\$ 5,633,324
Nonmajor Governmental Funds	86,688
Total Transfers to the General Fund	<u>5,720,012</u>
Transfers to the Grants Fund from:	
General Fund	250,911
Nonmajor Governmental Funds	92,626
Total Transfers to the Grants Fund	<u>343,537</u>
Transfers to the Capital Improvement Fund from:	
General Fund	26,662,793
Fine & Forfeiture Fund	3,800,000
Special Assessment Fund	302,188
Nonmajor Governmental Funds	5,503,015
Total Transfers to the Capital Improvement Fund	<u>36,267,996</u>
Transfers to the Nonmajor Governmental Funds:	
General Fund	22,129,771
Fine & Forfeiture Fund	45,000
Other Nonmajor Funds	5,975,800
Total Transfers to the Nonmajor Governmental Funds	<u>28,150,571</u>
Total Transfers to Governmental Funds	<u>\$ 70,482,116</u>
Transfers to the Enterprise Fund from:	
General Fund	505,790
Total Transfers to Enterprise Funds	<u>505,790</u>
Total Interfund Transfers	<u>\$ 70,987,906</u>

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

12. 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 \$13,511,227 reported as landfill closure and post-closure care liability at September 30, 2008, represents the cumulative amount reported to date based on the use of 97.92% 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 \$493,805 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 2008 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, 2008, held investments with a fair value of \$6,539,887 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.

13. Component Unit – Housing Finance Authority of Leon County

The Authority had the following bonds outstanding at September 30, 2008, pursuant to its authorization:

	<u>Amount Outstanding</u>
Single Family Mortgage Revenue and Refunding Bonds:	
Series 1995 A	\$ 485,000
Series 1995 B	205,000
	<u>\$ 690,000</u>

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

13. 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.

14. 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, 2008. These commitments have been included in the 2007-2008 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 \$2.3 million.

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.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2008

15. Subsequent Events

On January 31, 2009, the Board entered into a capital lease for the purchase of computer equipment. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments:

	Year ending September 30,	
	<u>2009</u>	\$ 300,000
	2010	229,120
	2011	229,120
	2012	229,120
	2013	<u>229,120</u>
Total minimum lease payments		1,216,480
Less amount representing interest		<u>(71,470)</u>
Present value of net minimum lease payments		<u>\$ 1,145,010</u>

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, 2008

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 year ended September 30, 2008, and have issued our report thereon dated February 23, 2009. 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 Board'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 Board's financial statements that is more than inconsequential will not be prevented or detected by the Board'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 Board'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 significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's 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*. However, we noted certain matters that we reported to management of the Board in a separate letter dated February 23, 2009.

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, Brown & Munroe, P.A.

February 23, 2009

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, 2008, and have issued our report thereon dated February 23, 2009.

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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated February 23, 2009, 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. This letter includes the following information, which is not included on the aforementioned auditors' report.

The *Rules of the Auditor General* (Section 10.554(1)(i)1.) require that we address in the management letter, if not already addressed in the auditors' report on internal controls and compliance, whether or not recommendations made in the preceding annual financial audit report have been followed. Corrective actions have been taken to address all findings and recommendations made in the preceding annual financial audit report.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)2.), the scope of our audit included 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*.

The *Rules of the Auditor General* (Section 10.554(1)(i)3.) require that we address in the management letter any recommendations to improve financial management. A summary of current year recommendations is as follows:

Establishment of a benchmark for cash reserves in the Insurance Service Fund

During our test of Self-Insurance, we noted that the cash balance and the net assets of the Insurance Service Fund are greater than the actuarially determined liability. The Board has not established a policy regarding cash reserves benchmarks in the Insurance Service Fund. We recommend that such policy be established and that the policy addresses the treatment of excess funds should losses incurred prove to be less than premiums charged to departments.

Management's Response:

During the budget process this year, OMB will bring forward a policy regarding cash reserves in the Insurance Service Fund. The policy will address the targeted amount to be in the reserves and the treatment of any excess funds.

Conflict of Interest Statement

A code of conduct and conflict of interest policy is included in the Board's human resources policies and procedures manual. All employees, upon hire, are required to provide a signed acknowledgment that they have received the manual. Our interviews of Board management and those charged with governance disclosed that the Board does not require employees to acknowledge receipt and review of the conflict of interest and code of ethics statements on an annual basis. Additionally, our interviews disclosed that employees and management were unaware of the existence of a fraud hotline to report activities inconsistent with Board's conflict of interest policy or code of ethics. To reinforce the Board's expectation of ethical behavior by its employees, and to reduce the risk of fraud, we recommend the code of conduct, conflict of interest policy, and anonymous reporting mechanisms be communicated to all employees on an annual basis. The Board should also consider a requirement to have all employees sign an acknowledgement that such communication has been made on an annual basis.

Management's Response:

Board staff has already received approval for the Board to establish a fraud and abuse hotline presence on the Board website. Additionally, Human Resources will review the recommendations related to the conflict of interest policy and the code of ethics. A recommendation will be made to the County Administrator to respond to these recommendations.

Logical Access Rights for Banner

During our testing of IT General Controls, it was noted the Board does not periodically monitor logical access rights for the financial system (Banner GL System) throughout the year to determine that only current authorized users have access. We noted four employees out of 308 current users tested that were terminated employees. Additionally, we noted the user code for one terminated employee was assigned to the replacement employee instead of creating a new unique user code. Although we noted the existence of this condition, we did not observe any general ledger transactions initiated by users with a terminated employee access code. We recommend that the Board implement a periodic review process of access rights in the Banner GL System. This review will increase the likelihood that access rights in the Banner GL System are appropriate and current.

Management's Response:

Board staff will implement a periodic review process of access rights to the Banner system. This review will ensure terminated employees' access is deleted.

SAS 70 Type II Report – Emergency Medical Services billing

The Board contracts with a third party administrator (ADPI) to provide emergency medical services billing and collections. Because such services generate material revenue on an annual basis for the Board, the Board is required to understand and monitor the operating effectiveness of ADPI's internal control over those services. Currently, that responsibility is fulfilled by the performance of a Type I SAS 70 report performed by an independent firm. A Type I SAS 70 report provides limited assurance to the Board that the ADPI's description of controls in place are accurate, that the controls are suitably designed to achieve the specified control objectives, and that the controls were in place as of a certain point in time. It does not provide any assurance regarding the operating effectiveness of those controls. A Type II SAS 70 report involves additional testing to determine whether the policies and procedures in place were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related control objectives were achieved during the specified period.

We recommend the Board include in its contract with ADPI an annual requirement to obtain a Type II SAS 70 report that specifically includes the location or branch performing the contracted services. In the absence of a Type II SAS 70 report, the Board should perform periodic monitoring of ADPI's key controls over billing, adjustment, and collection processes.

Management's Response:

Board staff will contact the vendor and ensure the recommendation is included in the contract.

Electronic check processing procedures

Our tests of transactions subsequent to September 30, 2008, identified one electronic check (ACH) processed for a materially incorrect amount. The error was properly detected during the reconciliation process between the check register and the actual invoice. However, because this payment was made electronically, the funds were already deducted from the Board's account. The vendor was notified the same day the ACH was transmitted and the excess funds were returned to the Board. To improve controls over the ACH process, we recommend that ACH transactions be reviewed by an individual who is not involved in the processing of the invoice prior to submission of the electronic transfer file to the bank. This independent review will increase the likelihood that errors will be prevented prior to the transaction being processed.

Management's Response:

An independent review will be done in the Finance Department processes.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material, but more than inconsequential. In connection with our audit, we did not identify 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) violation of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; and (2) 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.

The *Rules of the Auditor General* (Section 10.554(1)(i)6.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the fund 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 Special-Purpose 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.

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 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 23, 2009