

Special-Purpose Financial Statements

Board of County Commissioners  
Leon County, Florida

*Year ended September 30, 2010  
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, 2010

**Board of County Commissioners**

Cliff Thael.....	At Large
Akin Akinyemi.....	At Large
Bill Proctor.....	District 1
Jane G. Sauls .....	District 2
John E. Dailey, Vice Chairman.....	District 3
Bryan Desloge .....	District 4
Bob Rackleff, Chairman .....	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, 2010

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## Report of Independent Auditors

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 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, 2010, as listed in the table of contents. 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*. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2010, 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 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2011, 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.

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

February 18, 2011

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Board of County Commissioners  
Leon County, Florida

Balance Sheet - Governmental Funds

September 30, 2010

	<u>General</u>	<u>Fine &amp; Forfeiture</u>	<u>Grants</u>	<u>Capital Improvement</u>
<b>Assets</b>				
Cash	\$ 135,507	\$ -	\$ 31,631	\$ 4,172,376
Investments	18,236,315	11,374,354	3,767,429	53,963,625
Receivables (net of allowances for uncollectibles):				
Accounts	232,925	22,811	7,308	119,966
Special assessments	20,552	-	-	-
Intergovernmental	1,965,358	8,602	1,570,345	-
Due from other funds	39,790	3,619	-	17,141
Due from other county units	1,282,935	1,529,238	16,071	-
Inventories	222,755	-	-	-
Other assets	550	-	-	-
Advances to other funds	20,000	-	-	-
Total assets	<u>\$ 22,156,687</u>	<u>\$ 12,938,624</u>	<u>\$ 5,392,784</u>	<u>\$ 58,273,108</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 1,584,548	\$ 2,095	\$ 1,329,139	\$ 1,142,367
Accrued liabilities	162,526	-	2,886	-
Intergovernmental payables	1,594	-	-	-
Due to other funds	61,587	-	-	-
Due to other county units	53,510	-	237,882	-
Deposits	45,010	326,142	-	149,925
Deferred revenue	-	-	2,034,529	-
Total liabilities	<u>1,908,775</u>	<u>328,237</u>	<u>3,604,436</u>	<u>1,292,292</u>
Fund balances:				
Reserved for advances to other funds	20,000	-	-	-
Unreserved, reported in:				
General fund	20,227,912	-	-	-
Special revenue funds	-	12,610,387	1,788,348	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	56,980,816
Total fund balances	<u>20,247,912</u>	<u>12,610,387</u>	<u>1,788,348</u>	<u>56,980,816</u>
Total liabilities and fund balances	<u>\$ 22,156,687</u>	<u>\$ 12,938,624</u>	<u>\$ 5,392,784</u>	<u>\$ 58,273,108</u>

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

<b>Local Option Sales Tax</b>	<b>Extended Local Option Sales Tax</b>	<b>Other Governmental Funds</b>	<b>Component Unit - Housing Finance Authority of Leon County</b>	<b>Total Governmental Funds</b>
\$ 1,842,955	\$ -	\$ 4,528,387	\$ 239,074	\$ 10,949,930
31,892,101	13,440,851	40,514,242	-	173,188,917
72,555	26,955	2,437,230	-	2,919,750
-	-	1,540,729	10	1,561,291
-	1,164,934	1,040,630	-	5,749,869
10,147	4,276	11,699	-	86,672
-	-	845,206	-	3,673,450
-	-	985	-	223,740
-	-	3,410	-	3,960
-	-	-	-	20,000
<u>\$ 33,817,758</u>	<u>\$ 14,637,016</u>	<u>\$ 50,922,518</u>	<u>\$ 239,084</u>	<u>\$ 198,377,579</u>
\$ 433,169	\$ 6,390,625	\$ 2,288,123	\$ 237	\$ 13,170,303
-	-	298,763	-	464,175
-	-	69,058	-	70,652
-	-	31,590	-	93,177
-	-	3,880	-	295,272
-	-	116,912	-	637,989
-	-	2,314,105	-	4,348,634
<u>433,169</u>	<u>6,390,625</u>	<u>5,122,431</u>	<u>237</u>	<u>19,080,202</u>
-	-	-	-	20,000
-	-	-	-	20,227,912
-	-	30,736,878	238,847	45,374,460
-	-	209,005	-	209,005
33,384,589	8,246,391	14,854,204	-	113,466,000
<u>33,384,589</u>	<u>8,246,391</u>	<u>45,800,087</u>	<u>238,847</u>	<u>179,297,377</u>
<u>\$ 33,817,758</u>	<u>\$ 14,637,016</u>	<u>\$ 50,922,518</u>	<u>\$ 239,084</u>	<u>\$ 198,377,579</u>



Board of County Commissioners  
Leon County, Florida

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

Year ended September 30, 2010

	General	Fine & Forfeiture	Grants	Capital Improvement
<b>Revenues</b>				
Taxes	\$ 52,761,605	\$ 62,193,568	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	16,289,821	20,539	6,778,741	-
Charges for services	1,885,948	933,034	162,371	-
Fines and forfeitures	-	131,472	-	-
Interest	9,283	552,857	100,201	1,592,632
Miscellaneous	1,136,189	-	199,162	48,984
Total revenues	<u>72,082,846</u>	<u>63,831,470</u>	<u>7,240,475</u>	<u>1,641,616</u>
<b>Expenditures</b>				
Current:				
General government	15,196,938	-	22,932	1,965,076
Public safety	392,697	-	1,405,685	136,349
Physical environment	2,424,935	-	349,096	901,664
Transportation	-	-	992,740	1,878,894
Economic environment	2,311,158	-	778,596	-
Human services	7,137,626	-	41,989	96,529
Culture and recreation	6,163,105	-	2,977,048	3,867,316
Judicial	2,391,210	1,581,099	300,905	592,804
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Other debt service costs	-	-	-	-
Total expenditures	<u>36,017,669</u>	<u>1,581,099</u>	<u>6,868,991</u>	<u>9,438,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,065,177</u>	<u>62,250,371</u>	<u>371,484</u>	<u>(7,797,016)</u>
Other financing sources (uses):				
Transfers in	4,536,230	1,633,723	454,543	2,538,413
Transfers out	(37,905,543)	(60,997,462)	(645,332)	(2,504,785)
Total other financing sources (uses)	<u>(33,369,313)</u>	<u>(59,363,739)</u>	<u>(190,789)</u>	<u>33,628</u>
Net change in fund balances	2,695,864	2,886,632	180,695	(7,763,388)
Fund balances at beginning of year	17,552,048	9,723,755	1,607,653	64,744,204
Fund balances at end of year	<u>\$ 20,247,912</u>	<u>\$ 12,610,387</u>	<u>\$ 1,788,348</u>	<u>\$ 56,980,816</u>

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

				<b>Component Unit - Housing Finance Authority of Leon County</b>	
<b>Local Option Sales Tax</b>	<b>Extended Local Option Sales Tax</b>	<b>Other Governmental Funds</b>			<b>Total Governmental Funds</b>
\$ -	\$ 3,384,616	\$ 22,556,325	\$ -	\$ -	\$ 140,896,114
-	-	2,512,356	-	-	2,512,356
-	-	6,871,205	-	-	29,960,306
-	900,745	11,085,872	34,600	-	15,002,570
-	-	454,348	-	-	585,820
928,086	369,265	1,366,379	5,766	-	4,924,469
-	-	7,923,045	-	-	9,307,380
928,086	4,654,626	52,769,530	40,366	-	203,189,015
-	-	2,042,391	-	-	19,227,337
-	-	24,260,081	-	-	26,194,812
-	1,812,261	6,015,343	-	-	11,503,299
6,573,116	6,908,901	12,567,912	-	-	28,921,563
-	-	2,190,834	16,743	-	5,297,331
-	-	2,010,463	-	-	9,286,607
-	331,399	5,317,281	-	-	18,656,149
-	-	3,177,389	-	-	8,043,407
-	-	5,461,384	-	-	5,461,384
-	-	3,926,459	-	-	3,926,459
-	-	2,155	-	-	2,155
6,573,116	9,052,561	66,971,692	16,743	-	136,520,503
(5,645,030)	(4,397,935)	(14,202,162)	23,623	-	66,668,512
-	-	25,110,786	-	-	34,273,695
-	-	(9,337,413)	-	-	(111,390,535)
-	-	15,773,373	-	-	(77,116,840)
(5,645,030)	(4,397,935)	1,571,211	23,623	-	(10,448,328)
39,029,619	12,644,326	44,228,876	215,224	-	189,745,705
\$ 33,384,589	\$ 8,246,391	\$ 45,800,087	\$ 238,847	\$ -	\$ 179,297,377

Board of County Commissioners  
Leon County, Florida

Balance Sheet - Proprietary Funds

September 30, 2010

	Business-type Activities Enterprise Funds			Governmental Activities
	Landfill Fund	Non-major Fund	Total	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash	\$ 600	\$ 129,736	\$ 130,336	\$ 118,100
Cash with fiscal agent	-	-	-	39,708
Investments	11,024,176	-	11,024,176	9,419,345
Accounts receivable	676,914	-	676,914	31,642
Intergovernmental receivables	-	-	-	29,806
Due from other funds	3,508	-	3,508	2,997
Due from other county units	654	-	654	-
Inventories	3,510	-	3,510	54,997
Total current assets	<u>11,709,362</u>	<u>129,736</u>	<u>11,839,098</u>	<u>9,696,595</u>
Noncurrent assets:				
Restricted cash and investments	6,808,981	-	6,808,981	-
Capital assets:				
Land	1,809,844	600,000	2,409,844	-
Depreciable, net	11,001,445	773,681	11,775,126	-
Total noncurrent assets	<u>19,620,270</u>	<u>1,373,681</u>	<u>20,993,951</u>	<u>-</u>
Total assets	<u>\$ 31,329,632</u>	<u>\$ 1,503,417</u>	<u>\$ 32,833,049</u>	<u>\$ 9,696,595</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 569,285	\$ -	\$ 569,285	\$ 160,426
Accrued liabilities	79,110	-	79,110	21,395
Intergovernmental payable	68	-	68	-
Advances from other funds	-	-	-	20,000
Other current liabilities	-	-	-	3,050,000
Total current liabilities	<u>648,463</u>	<u>-</u>	<u>648,463</u>	<u>3,251,821</u>
Noncurrent liabilities:				
Liability for closure costs/maintenance	10,995,717	-	10,995,717	-
Total noncurrent liabilities	<u>10,995,717</u>	<u>-</u>	<u>10,995,717</u>	<u>-</u>
Total liabilities	<u>11,644,180</u>	<u>-</u>	<u>11,644,180</u>	<u>3,251,821</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt				
Designated for rate stabilization	12,811,289	1,373,681	14,184,970	-
Unrestricted	6,874,163	-	6,874,163	-
Total net assets	<u>-</u>	<u>129,736</u>	<u>129,736</u>	<u>6,444,774</u>
Total net assets	<u>19,685,452</u>	<u>1,503,417</u>	<u>21,188,869</u>	<u>6,444,774</u>
Total liabilities and net asset:	<u>\$ 31,329,632</u>	<u>\$ 1,503,417</u>	<u>\$ 32,833,049</u>	<u>\$ 9,696,595</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, 2010

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Landfill Fund	Non-major Fund	Total	
<b>Operating revenues</b>				
Charges for services	\$ 7,665,383	\$ -	\$ 7,665,383	\$ 6,045,786
Total operating revenues	<u>7,665,383</u>	<u>-</u>	<u>7,665,383</u>	<u>6,045,786</u>
<b>Operating expenses</b>				
Personal services	2,116,996	-	2,116,996	710,785
Contractual services	5,688,426	7,375	5,695,801	73,036
Supplies	307,707	-	307,707	1,159,147
Communication services	23,807	-	23,807	595,520
Insurance	91,736	1,253	92,989	1,686,952
Utility services	316,162	-	316,162	67,234
Depreciation	589,938	-	589,938	-
Other services and charges	1,664,635	-	1,664,635	649,198
Total operating expenses	<u>10,799,407</u>	<u>8,628</u>	<u>10,808,035</u>	<u>4,941,872</u>
Operating income (loss)	<u>(3,134,024)</u>	<u>(8,628)</u>	<u>(3,142,652)</u>	<u>1,103,914</u>
Nonoperating revenues:				
Taxes	1,441,095	-	1,441,095	-
Interest revenue	479,953	3,543	483,496	264,513
Miscellaneous	226,034	-	226,034	-
Total nonoperating revenues	<u>2,147,082</u>	<u>3,543</u>	<u>2,150,625</u>	<u>264,513</u>
Income (loss) before contributions and transfers	<u>(986,942)</u>	<u>(5,085)</u>	<u>(992,027)</u>	<u>1,368,427</u>
Transfers in	1,357,650	-	1,357,650	-
Transfers out	<u>(28,822)</u>	<u>-</u>	<u>(28,822)</u>	<u>-</u>
Change in net assets	341,886	(5,085)	336,801	1,368,427
Net assets at beginning of year	<u>19,343,566</u>	<u>1,508,502</u>	<u>20,852,068</u>	<u>5,076,347</u>
Net assets at end of year	<u>\$ 19,685,452</u>	<u>\$ 1,503,417</u>	<u>\$ 21,188,869</u>	<u>\$ 6,444,774</u>

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

Board of County Commissioners  
Leon County, Florida

Statement of Cash Flows - Proprietary Funds

Year ended September 30, 2010

	Business-type Activities Enterprise Funds			Governmental Activities
	Landfill Fund	Non-major Fund	Total	Internal Service Funds
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 7,899,539	\$ -	\$ 7,899,539	\$ 1,362,645
Payments to suppliers	(7,146,200)	(7,375)	(7,153,575)	(4,343,307)
Payments to employees	(2,117,111)	-	(2,117,111)	(717,143)
Internal activity - payments to other funds	(871,636)	(1,253)	(872,889)	(112,387)
Internal activity - cash received from other funds	-	-	-	4,660,978
Claims paid	-	-	-	(266,593)
Net cash (used in) provided by operating activities	(2,235,408)	(8,628)	(2,244,036)	584,193
<b>Cash flows from noncapital financing activities</b>				
Tax proceeds	1,441,095	-	1,441,095	-
Repayments on interfund loans	(3,174)	-	(3,174)	-
Transfers from other funds	1,357,650	-	1,357,650	-
Transfers to other funds	(28,822)	-	(28,822)	-
Net cash provided by noncapital financing activities	2,766,749	-	2,766,749	-
<b>Cash flows from capital and related financing activities</b>				
Sale of property	662,567	-	662,567	-
Acquisition and/or construction of capital assets	(1,456,662)	-	(1,456,662)	-
Net cash used in capital and related financing activities	(794,095)	-	(794,095)	-
<b>Cash flows from investing activities</b>				
Proceeds from sales and maturities of investments	5,489,329	-	5,489,329	4,109,616
Purchases of investments	(5,652,873)	-	(5,652,873)	(4,888,406)
Interest and dividends received	426,298	3,543	429,841	216,645
Net cash provided by (used in) investing activities	262,754	3,543	266,297	(562,145)
Net (decrease) increase in cash	-	(5,085)	(5,085)	22,048
Cash at beginning of year	600	134,821	135,421	135,760
Cash at end of year	\$ 600	\$ 129,736	\$ 130,336	\$ 157,808
<b>Reconciliation of operating (loss) income to net cash (used in) provided by operating activities</b>				
Operating (loss) income:	\$ (3,134,024)	\$ (8,628)	\$ (3,142,652)	\$ 1,103,914
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation expense	589,938	-	589,938	-
Change in assets and liabilities:				
Accounts and intergovernmental receivables	125,290	-	125,290	(13,050)
Inventories	630	-	630	(13,249)
Accounts payable and other liabilities	74,007	-	74,007	(442,940)
Accrued expenses	(118)	-	(118)	(50,482)
Estimated liability for closure costs/maintenance	108,869	-	108,869	-
Net cash (used in) provided by operating activities	\$ (2,235,408)	\$ (8,628)	\$ (2,244,036)	\$ 584,193

*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, 2010

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 52,593,255	\$ 52,593,255	\$ 52,761,605	\$ 168,350
Intergovernmental	15,591,049	15,657,673	16,289,821	632,148
Charges for services	2,221,333	2,221,333	1,885,948	(335,385)
Interest	579,880	579,880	9,283	(570,597)
Miscellaneous	142,500	162,014	1,136,189	974,175
Total revenues	71,128,017	71,214,155	72,082,846	868,691
<b>Expenditures</b>				
General government	16,979,792	20,231,962	15,196,938	5,035,024
Public safety	375,000	375,000	392,697	(17,697)
Physical environment	2,365,451	2,629,100	2,424,935	204,165
Economic environment	2,400,783	2,401,899	2,311,158	90,741
Human services	6,910,854	7,433,810	7,137,626	296,184
Culture and recreation	6,741,996	6,683,788	6,163,105	520,683
Judicial	209,291	212,432	2,391,210	(2,178,778)
Total expenditures	35,983,167	39,967,991	36,017,669	3,950,322
Excess of revenues over expenditure	35,144,850	31,246,164	36,065,177	4,819,013
Other financing sources (uses):				
Transfers in	3,539,618	3,539,618	4,536,230	996,612
Transfers out	(38,684,468)	(38,073,095)	(37,905,543)	167,552
Total other financing sources (uses)	(35,144,850)	(34,533,477)	(33,369,313)	1,164,164
Net change in fund balance	-	(3,287,313)	2,695,864	5,983,177
Fund balance at beginning of year	17,552,048	17,552,048	17,552,048	-
Fund balance at end of year	\$ 17,552,048	\$ 14,264,735	\$ 20,247,912	\$ 5,983,177

*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, 2010

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 61,853,568	\$ 61,853,568	\$ 62,193,568	\$ 340,000
Intergovernmental	11,875	11,875	20,539	8,664
Charges for services	1,089,950	1,089,950	933,034	(156,916)
Fines and forfeitures	159,600	159,600	131,472	(28,128)
Interest	321,385	321,385	552,857	231,472
Total revenues	<u>63,436,378</u>	<u>63,436,378</u>	<u>63,831,470</u>	<u>395,092</u>
<b>Expenditures</b>				
Physical environment	10,438	10,438	-	10,438
Human services	100,000	200,000	-	200,000
Judicial	2,628,614	2,778,614	1,581,099	1,197,515
Total expenditures	<u>2,739,052</u>	<u>2,989,052</u>	<u>1,581,099</u>	<u>1,407,953</u>
Excess of revenues over expenditure	<u>60,697,326</u>	<u>60,447,326</u>	<u>62,250,371</u>	<u>1,803,045</u>
Other financing sources (uses):				
Transfers in	-	-	1,633,723	1,633,723
Transfers out	(60,697,326)	(60,697,326)	(60,997,462)	(300,136)
Total other financing sources (uses)	<u>(60,697,326)</u>	<u>(60,697,326)</u>	<u>(59,363,739)</u>	<u>1,333,587</u>
Net change in fund balance	-	(250,000)	2,886,632	3,136,632
Fund balance at beginning of year	9,723,755	9,723,755	9,723,755	-
Fund balance at end of year	<u>\$ 9,723,755</u>	<u>\$ 9,473,755</u>	<u>\$ 12,610,387</u>	<u>\$ 3,136,632</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, 2010

	<u>Budget Amounts</u>		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 342,292	\$ 23,868,057	\$ 6,778,741	\$ (17,089,316)
Charges for services	125,875	253,958	162,371	(91,587)
Interest	-	-	100,201	100,201
Miscellaneous	-	1,358,700	199,162	(1,159,538)
Total revenues	<u>468,167</u>	<u>25,480,715</u>	<u>7,240,475</u>	<u>(18,240,240)</u>
<b>Expenditures</b>				
General government	90,000	1,349,087	22,932	1,326,155
Public safety	482,010	4,569,598	1,405,685	3,163,913
Physical environment	-	9,185,965	349,096	8,836,869
Transportation	-	2,639,990	992,740	1,647,250
Economic environment	-	1,624,540	778,596	845,944
Human services	-	1,745,589	41,989	1,703,600
Culture and recreation	-	3,985,152	2,977,048	1,008,104
Judicial	-	371,958	300,905	71,053
Total expenditures	<u>572,010</u>	<u>25,471,879</u>	<u>6,868,991</u>	<u>18,602,888</u>
(Deficiency) excess of revenue (under) over expenditures	<u>(103,843)</u>	<u>8,836</u>	<u>371,484</u>	<u>362,648</u>
Other financing sources (uses):				
Transfers in	224,998	548,387	454,543	(93,844)
Transfers out	<u>(121,155)</u>	<u>(690,205)</u>	<u>(645,332)</u>	<u>44,873</u>
Total other financing sources (uses)	<u>103,843</u>	<u>(141,818)</u>	<u>(190,789)</u>	<u>(48,971)</u>
Net change in fund balance	-	(132,982)	180,695	313,677
Fund balance at beginning of year	1,607,653	1,607,653	1,607,653	-
Fund balance at end of year	<u>\$ 1,607,653</u>	<u>\$ 1,474,671</u>	<u>\$ 1,788,348</u>	<u>\$ 313,677</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, 2010

**Assets**

Cash	\$ 308,381
Accounts receivable	922,128
Total assets	<u>\$ 1,230,509</u>

**Liabilities**

Accounts payable	\$ 485,195
Accrued expenses	745,314
Total liabilities	<u>\$ 1,230,509</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, 2010

**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.
- 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.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**1. Accounting Policies (continued)**

**Reporting Entity (continued)**

- 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, 2010, 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 Section 189.4041, *Florida Statutes*.

The Authority's governing board is appointed by the Board; the budget is approved by the Board; all bonds issued and contracts entered into must be approved by the Board; the Board may, at its sole discretion, and at anytime, alter or change the structure, organization, programs or activities of the Authority, including the power to terminate the Authority; and the Board maintains the books and records of the Authority. This unit is reported in a separate column to emphasize that it is legally separate from the Board. Separate financial information for the Housing Finance Authority is available at 315 S. Calhoun Street, Tallahassee, Florida 32301 (Note 12).

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**1. Accounting Policies (continued)**

**Component Units (continued)**

***Excluded from the Reporting Entity:***

The Leon County Health Facilities Authority, Leon County Research and Development Authority, Leon County Education Facilities Authority, and Community Redevelopment Agency have been established under *Florida Statutes*, Chapter 159, Part V, Chapter 154, Part III, Chapter 243, and Chapter 163, Part III, respectively. Operations of the above authorities are not included in this report because they do not meet the criteria for inclusion in the reporting entity as set forth in GASB Statement No. 39.

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, 2010

**1. Accounting Policies (continued)**

**Description of Funds (continued)**

***Governmental Major Funds (continued):***

*Fine and Forfeiture Fund* – 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.

*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 Fund* – The Local Option Sales Tax Fund accounts for revenues generated by the local option one-cent sales tax. This tax, which was approved by the voters of Leon County in a referendum election held on November 4, 1989, provides for the levy of a one percent sales tax on every taxable item sold in the County and taxed pursuant to the provisions of 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.

*Extended Local Option Sales Tax Fund* – In November of 2000, county residents approved a referendum extending the imposition of the one-cent local option sales tax beginning in fiscal year 2004 for 15 years. This fund is used for various road, storm-water and park improvements and is the continuation of the Local Option Sales Tax Fund.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**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 special-purpose 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, 2010

**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. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each part receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities. The Proprietary Funds do not apply all FASB accounting standards 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, 2010

**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, 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, 2010

**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.

During the 2009-2010 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.

**Receivables**

Receivables are shown net of an allowance for uncollectibles. The emergency medical services allowance is equal to 41% of outstanding charges at September 30, 2010.

**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, 2010

**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 Court, 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, 2010

**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, 2010

**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.

**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 7.850 mills. County citizens were also assessed for emergency medical services through a Municipal Services Taxing Unit at a millage rate of 0.5000 mills. 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, 2010

**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 2010 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, 2010.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**3. Cash and Investments**

As of September 30, 2010, the value of the Board's deposits and investments, with their respective credit ratings, was as follows:

	<b>Fair Value</b>	<b>Credit Rating</b>	<b>Duration</b>
Deposits in Qualified Public Depositories	\$ 11,503,936	NA	NA
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	33,963,570	Af	1.95
Florida Local Government Investment Trust Government Fund (FLGIT)	38,162,936	AAA	1.63
Florida Municipal Investment Trust (FMIT) 1-3 Year High Quality Bond Fund	40,420,085	AAA/V2	1.50
Florida Municipal Investment Trust (FMIT) 0-2 Year High Quality Bond Fund	14,935,622	AAAf/S1	0.70
Externally Managed Portfolio:			
U.S. Treasuries	\$ 21,299,040	NA	1.68
Government Sponsored Agencies:			
Fannie Mae	11,153,835	AAA	1.54
Federal Home Loan Mortgage Corp	4,731,875	AAA	1.89
Other Government Sponsored Agencies	3,333,989	AAA	1.07
Temporary Liquidity Guarantee	8,682,315	AAA	1.62
Collateralized Mortgage Obligations	1,712,519	AAA	1.29
Collateralized Mortgage Obligations	342,586	AA	-0.20
Corporate Bonds	2,199,719	AAA	3.30
Corporate Bonds	7,411,127	AA	2.26
Corporate Bonds	8,522,176	A	1.64

*(continued)*

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**3. Cash and Investments (continued)**

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Externally Managed Portfolio (continued):			
Municipal Bonds	1,186,502	AAA	1.88
Asset-backed Securities	1,608,533	AAA	1.59
Asset-backed Securities	262,214	A	5.70
Asset-backed Securities	160,179	BBB	-2.74
Asset-backed Securities	<u>352,593</u>	BB	-2.02
Total Cash and Investments	<u>\$211,945,351</u>		

The amounts above exclude cash on hand and amounts held by third parties in trust for the Board.

**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.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**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, 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 (FLGIT), and the Florida Municipal Investment Trust (FMIT).



Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**3. Cash and Investments (continued)**

**Credit Risk (continued)**

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

The 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.

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.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**3. Cash and Investments (continued)**

**Credit Risk (continued)**

During the fiscal year, the County reallocated a portion of investments from money markets to FMIT 0 to 2 Year High Quality Bond Fund also operated by the Florida League of Cities. This Fund which was established in April 2009 invests in government and high quality securities while maintaining an average maturity of approximately one year. The performance of the portfolio is measured against the Merrill Lynch One Year Treasury Note Index. The portfolio is managed by Atlanta Capital Management. Investments in this pool are limited to a maximum of 15% of the portfolio.

**Custodial Credit Risk**

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

Qualified public depositories of public funds are required to provide collateral each month pursuant to 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, 2010, were \$14,385,376.

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.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**3. Cash and Investments (continued)**

**Interest Rate Risk (continued)**

The externally managed portfolio totaled \$73,052,293 at September 30, 2010, and was invested for a weighted average term of 712 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](http://www.fldfs.com/aadir/statewide_financial_reporting/index.htm).

**4. Fixed Assets**

A summary of changes in fixed assets and depreciation for the year ended September 30, 2010, follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Land	\$ 19,608,716	\$ -	\$ -	\$ 19,608,716
Improvements other than buildings	12,759,378	567,627	-	13,327,005
Buildings and improvements	156,359,485	4,863,476	-	161,222,961
Equipment	44,728,014	7,877,960	(5,797,574)	46,808,400
Construction in progress	24,257,911	14,194,873	(5,201,103)	33,251,681
Totals at historical cost	<u>\$ 257,713,504</u>	<u>\$ 27,503,936</u>	<u>\$(10,998,677)</u>	<u>\$ 274,218,763</u>

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**4. Fixed Assets (continued)**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Business type activities:</b>				
Land	\$ 2,409,844	\$ —	\$ —	\$ 2,409,844
Buildings, improvements, and construction in progress	19,136,137	785,095	—	19,921,232
Equipment	5,601,466	671,567	(1,003,299)	5,269,734
Totals at historical cost	<u>27,147,447</u>	<u>1,456,662</u>	<u>(1,003,299)</u>	<u>27,600,810</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,114,734)	(48,282)	—	(11,163,016)
Equipment	(2,277,938)	(541,656)	566,769	(2,252,825)
Total accumulated depreciation	<u>(13,392,672)</u>	<u>(589,938)</u>	<u>566,769</u>	<u>(13,415,841)</u>
	<u>\$ 13,754,775</u>	<u>\$ 866,724</u>	<u>\$ (436,530)</u>	<u>\$ 14,184,969</u>

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**5. Long-Term Debt**

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

<b>Long-Term Debt</b>	<b>Balance October 1, 2009</b>	<b>(Reductions)</b>	<b>Additions</b>	<b>Balance September 30, 2010</b>	<b>Due Within One Year</b>
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 Revenue Refunding Bonds, Series 1998B	10,135,000	(2,345,000)	—	7,790,000	2,465,000
Capital Improvement Revenue Refunding Bonds, Series 2005	53,165,000	(2,790,000)	—	50,375,000	2,885,000
Total special revenue debt	83,730,000	(5,135,000)	—	78,595,000	5,350,000
Note payable	3,560,547	(326,384)	—	3,234,163	363,463
Liability for compensated absences	4,084,716	—	354,236	4,438,952	—
Arbitrage rebate liability	25,000	—	—	25,000	—
	<u>\$ 91,400,263</u>	<u>\$ (5,461,384)</u>	<u>\$ 354,236</u>	<u>\$ 86,293,115</u>	<u>\$ 5,713,463</u>

Total interest costs incurred for general long-term debt by the Board for the year ended September 30, 2010, was \$3,926,459.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**5. Long-Term Debt (continued)**

B. A summary of each special revenue debt obligation outstanding at September 30, 2010 is as follows:

	<b>Outstanding at September 30, 2010</b>
<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>	\$ 50,375,000
<p>\$28,395,000 Capital Improvement Revenue Refunding 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>	7,790,000

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**5. Long-Term Debt (continued)**

	<b>Outstanding at September 30, 2010</b>
<p>\$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.</p>	7,965,000
<p>\$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.</p>	12,465,000
<p><i>The Capital Improvement Revenue Bonds, Series 2003A, 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.</i></p>	
<p>Total Special Revenue Debt</p>	<hr/> <b>\$ 78,595,000</b> <hr/>

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**5. Long-Term Debt (continued)**

Note payable is comprised of the following:

Banc of America Leasing & Capital, LLC

On November 18, 2005, the Board 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,  
2010**

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\$ 3,234,163



Board of County Commissioners  
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Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**5. Long-Term Debt (continued)**

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

	Year ending September 30,					2016 -
	2011	2012	2013	2014	2015	2020
Capital Improvement Revenue Refunding Bonds, Series 2005	\$ 5,101,400	\$ 5,100,425	\$ 5,097,219	\$ 7,969,406	\$ 7,976,381	\$ 18,133,456
Capital Improvement Revenue Refunding Bonds, Series 1998B	2,873,975	2,874,562	2,873,325	-	-	-
Capital Improvement Revenue Bonds, Series 2003A	352,170	352,170	352,170	352,170	352,170	9,679,360
Taxable Capital Improvement Revenue Bonds, Series 2003B	601,510	601,510	601,510	601,510	601,510	14,578,960
Note payable	484,514	484,514	484,514	484,514	484,514	1,453,541
<b>Total Debt Service</b>	<b>\$ 9,413,569</b>	<b>\$ 9,413,181</b>	<b>\$ 9,408,738</b>	<b>\$ 9,407,600</b>	<b>\$ 9,414,575</b>	<b>\$ 43,845,317</b>

Board of County Commissioners  
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Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

<u>2021 – 2025</u>	<u>Total Payments</u>	<u>Less Interest</u>	<u>Principal</u>
\$ 17,531,863	\$ 66,910,150	\$ 16,535,150	\$ 50,375,000
–	8,621,862	831,862	7,790,000
–	11,440,210	3,475,210	7,965,000
–	17,586,510	5,121,510	12,465,000
–	3,876,111	641,948	3,234,163
<u>\$ 17,531,863</u>	<u>\$ 108,434,843</u>	<u>\$ 26,605,680</u>	<u>\$ 81,829,163</u>

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**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.

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, 2010, 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, 2010, 2009, and 2008 were \$3,977,893, \$3,927,462, and \$3,769,041, 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.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**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 health insurance benefits portion of the Program is considered by the County's insurance provider to be community-rated and the Program may be amended by the Board. A stand alone financial report is not issued for the Program.

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

*Annual OPEB Cost and Net OPEB Obligation.* As described in Note 1, the 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. 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)	\$ 233,543
Amortization of unfunded actuarial accrued liability	241,329
Interest on normal cost and amortization	<u>18,995</u>
Annual required contribution	493,867
Interest on net OPEB obligation	25,231
Adjustment to annual required contribution	<u>(36,475)</u>
Annual OPEB cost	482,623
Contributions made	<u>(74,427)</u>
Increase in net OPEB obligation	408,196
Net OPEB obligation at beginning of year	<u>630,723</u>
Net OPEB obligation at end of year	<u><u>\$1,038,919</u></u>

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**7. Other Postemployment Benefits (continued)**

The Board's share of the County's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the preceding two years is as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Amount Contributed</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
September 30, 2010	\$ 482,623	\$ 74,427	15%	\$ 1,038,919
September 30, 2009	\$ 490,170	\$ 66,872	14%	\$ 630,723
September 30, 2008	\$ 422,356	\$ 214,931	51%	\$ 207,425

*Funded Status and Funding Progress.* As of September 30, 2010, the Board's share of the actuarial accrued liability for benefits recognized in the County's financial statements was \$4,339,981, all of which was unfunded. The Board's covered payroll (annual payroll of active employees covered by the plan) was \$31,822,966. The ratio of the Board's actuarial accrued liability to the Board's covered payroll was 14% at September 30, 2010.

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.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**7. Other Postemployment Benefits (continued)**

For the October 1, 2008 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, 2010, 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, 2010.

**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.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**8. Risk Management (continued)**

**General Liability (continued)**

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

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year End</b>
September 30, 2010	\$ 131,000	\$ (67,000)	\$ —	\$ 64,000
September 30, 2009	\$ 107,000	\$ 24,000	\$ —	\$ 131,000

The claims liability of \$64,000 includes an actuarial valuation for incurred but not reported claims of \$10,920.

**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, 2010, 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 the retention level for this commercial coverage in the current year and any of the past four years.

All funds of the Board participate in this program and make payments to the Insurance Service Fund based on 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.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**8. Risk Management (continued)**

**Workers' Compensation (continued)**

The actuarially-determined claims liability for workers' compensation of \$2,973,000, which includes incurred but not reported claims of \$2,637,277, reported in the Fund at September 30, 2010 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount were as follows:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year End</b>
September 30, 2010	\$ 3,370,000	\$ (63,000)	\$ 334,000	\$ 2,973,000
September 30, 2009	\$ 3,298,000	\$ 844,000	\$ 772,000	\$ 3,370,000

**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  
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Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**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:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year End</b>
September 30, 2010	\$ 35,000	\$ (22,000)	\$ –	\$ 13,000
September 30, 2009	\$ 33,000	\$ 2,000	\$ –	\$ 35,000

The claims liability of \$13,000 includes an actuarial valuation for incurred but not reported claims of \$1,840.

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**9. Leases**

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, 2010, are as follows:

<b>Year ending September 30,</b>	<b>Amount</b>
2011	\$ 1,093,864
2012	814,907
2013	675,749
2014	614,115
2015	568,509
Thereafter	756,797
	\$ 4,523,941

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:

<b>Year ending September 30,</b>	
2011	\$ 229,120
2012	229,120
2013	229,120
Total minimum lease payments	687,360
Less amount representing interest	(44,343)
Present value of net minimum lease payments	\$ 643,017

**10. Other Required Individual Fund Disclosures**

Advances between funds at September 30, 2010, were:

<b>Fund</b>	<b>Advances</b>	
	<b>To</b>	<b>From</b>
General Fund	\$ 20,000	\$ -
Internal Service Fund	-	20,000
	\$ 20,000	\$ 20,000

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**10. 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, 2010, consisted of the following:

Transfers to the General Fund from:	
Enterprise Funds	\$ 28,822
Nonmajor Governmental Funds	187,746
Total Transfers to the General Fund	<u>216,568</u>
Transfers to the Fine & Forfeiture Fund from:	
General Fund	1,316,123
Nonmajor Governmental Funds	317,600
Total Transfers to the Fine & Forfeiture Fund	<u>1,633,723</u>
Transfers to the Grants Fund from:	
General Fund	131,155
Capital Projects Fund	173,040
Nonmajor Governmental Funds	13,711
Total Transfers to the Grants Fund	<u>317,906</u>
Transfers to the Capital Improvement Fund from:	
General Fund	2,120,000
Nonmajor Governmental Funds	418,413
Total Transfers to the Capital Improvement Fund	<u>2,538,413</u>
Transfers to the Nonmajor Governmental Funds:	
General Fund	17,830,008
Grants Fund	5,894
Other Nonmajor Funds	7,274,884
Total Transfers to the Nonmajor Governmental Funds	<u>25,110,786</u>
Total Transfers to Governmental Funds	<u>29,817,396</u>
Transfers to the Enterprise Fund from:	
General Fund	1,357,650
Total Transfers to Enterprise Funds	<u>1,357,650</u>
Total Interfund Transfers	<u><u>\$ 31,175,046</u></u>

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**11. Closure and Post-closure Care Cost**

State and federal laws and regulations require the Board to place a final cover on each of its landfill cells when it stops accepting waste and to perform certain maintenance and monitoring functions on each cell for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$10,995,717 reported as landfill closure and post-closure care liability at September 30, 2010, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill cells placed in use. These amounts are based on what it would cost to perform closure and post-closure care in 2010 on those cells placed in use. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The landfill is no longer accepting Class I waste, however it is still accepting residuals from a Class III materials recovery facility and recovered screened materials. Since the landfill is permitted as a single permit, until the entire landfill is closed the Board cannot begin to perform closure and post-closure care.

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, 2010, held investments with a fair value of \$6,808,981 for these purposes that are reported as restricted assets on the balance sheet. The Board expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined, these costs may need to be covered by charges to future landfill users or from future tax revenue.

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

**12. Component Unit – Housing Finance Authority of Leon County**

The Authority had the following bonds outstanding at September 30, 2010, pursuant to its authorization:

	<u>Amount Outstanding</u>
Single Family Mortgage Revenue and Refunding Bonds:	
Series 1995 A	\$ 295,000
	<u>\$ 295,000</u>

Board of County Commissioners  
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2010

**12. Component Unit – Housing Finance Authority of Leon County (continued)**

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

**13. Commitments and Contingencies**

A. Contract commitments:

*Grants*

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

*Long-Term Construction Projects*

The Board is committed to various material long-term construction projects at September 30, 2010. These commitments have been included in the 2009-2010 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 \$8.5 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.

C. 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 no outstanding encumbrances at September 30, 2010.

## Internal Control and Compliance Section

Report of Independent Auditors 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, 2010*

Report of Independent Auditors 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, 2010, and have issued our report thereon dated February 18, 2011. 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 deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's 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 18, 2011.

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

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

February 18, 2011

## 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, 2010, and have issued our report thereon dated February 18, 2011.

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 Report of Independent Auditors on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated February 18, 2011, 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 determine, whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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

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. In connection with our audit we have the following recommendation:

**Security Assessment**

During procedures performed over information technology controls, we noted the most recent security assessment was performed in August 2007. Given the limited scope of our procedures, substantial changes to the Board's environment, and introduction of new technologies (virtualization, MAN expansion, Wireless, etc.), we recommend the Board obtain an independent contractor to perform a security assessment similar to the one that was performed in August 2007. This will better enable the Board to identify and remediate outstanding security risks and vulnerabilities, enhance protection over the IT environment, and gain new insight on risks related to newly acquired hardware and software.

***Management's Response:***

Board MIS will retain an independent contractor to assess security controls in the IT environment. We recognize this is an ever changing environment and may well establish a long term contract for periodic evaluations.

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

The *Rules of the Auditor General*, (Section 10.554(1)(i)5.), provide that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit we have the following recommendation to improve controls associated with remote cash collection points.

**Remote Cash Receipt Collection Areas**

Upon performing walkthroughs at 5 of the 20 remote cash collection points, we noted that there were inconsistencies between documented and actual procedures. Additionally, auditor noted areas where the existing control structure could be strengthened. We recommend that the Internal Audit Department in cooperation with the Finance Department perform periodic walkthroughs of each remote cash collection point for the purpose of verifying adherence to, and consistency with, documented control procedures at the department level.

***Management's Response:***

Internal Audit and Finance will do periodic walkthroughs of cash collection locations over this next year. We will evaluate process and procedures, and then work with Board staff (Management, MIS, and Operating Departments) to ensure effective procedures and systems are in place.

The *Rules of the Auditor General* (Section 10.554(1)(i)6.), 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 special-purpose 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).

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this 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 18, 2011