

## **NOTES TO FINANCIAL STATEMENTS**

# Leon County, Florida

## Notes to Financial Statements

September 30, 2001

### **1. Summary of Significant Accounting Policies**

Leon County, Florida (the "County") is a political subdivision of the State of Florida and provides services to its residents in many areas, including Public Safety, Transportation, Recreation and Human Services. It is governed by an elected Board of County Commissioners (seven members) which is governed by state statutes and regulations. 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.

The accompanying financial statements present the combined financial position and combined results of operations of the various fund types and account groups and the combined cash flows of the proprietary fund types for the funds controlled by the Board, the County's Constitutional Officers and the County's component units.

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

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, Florida are described below.

#### **Reporting Entity**

The concept underlying the definition of the reporting entity is that elected officials are accountable to their constituents for their actions. The reporting entity's financial statements should allow users to distinguish between the primary government (the County) and its component units. However, some component units, due to the closeness of their relationship with the County, should be blended as though they were part of the County. Otherwise, most component units should be discretely presented or in some cases, not included.

To accomplish this goal, the County's financial statements present the fund types and account groups of the County, including component units that have been blended, and provides an overview of the discretely presented component unit in a separate column.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Reporting Entity (continued)

As required by generally accepted accounting principles, the financial reporting entity consists of (1) the primary government (the County), (2) organizations for which the County is financially accountable, and (3) other organizations of which the nature and significance of their relationship with the County is such, that if excluded, would cause the entity's financial statement to be misleading or incomplete. The County is financially accountable when it appoints a voting majority of the organizations voting body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County may be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. Based on these criteria, County management examined all organizations which were legally separate in order to determine which organizations, if any, should be included in the County's financial statements. Management determined that the Housing Finance Authority of Leon County, and The Leon County Commission Governmental Leasing Corporation were the only organizations that should be included in the County's financial statements as component units.

##### Blended Component Unit

The Leon County Commission Governmental Leasing Corporation ("Leasing Corporation") was created as a Florida special purpose not-for-profit public corporation in accordance with Chapter 617, Florida Statutes, following the adoption of a resolution by the Board of County Commissioners, Leon County, Florida (the "Board"). The operations of the Leasing Corporation are reported within the Board's Internal Service Fund at September 30, 2001. The Corporation's Board of Directors consists of the seven member Leon County, Board of County Commissioners.

As of September 30, 1999, the purpose for which the Leasing Corporation was formed has been fulfilled and the lease with the Board has expired. The fund equity remaining at September 30, 2001, represents the original capital contribution by the Board's general fund. The contributed capital will be refunded upon Board approval to liquidate the Leasing Corporation. Separate financial information for the Leon County Commission Governmental Leasing Corporation is available at the County Courthouse, Monroe Street, Room 313, Tallahassee, Florida 32301.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### **Discretely Presented Component Unit**

The Housing Finance Authority of Leon County (“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 ordinance (#80-39) by the Board of County Commissioners of Leon County, Florida (“the Board”). The Authority is a Dependent Special District as defined in Chapter 89-169, Laws of Florida, whose governing body is appointed by the Board of County Commissioners.

The Authority’s governing board is appointed by the Board of County Commissioners; 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. In conformity with generally accepted accounting principles, the financial statements of the Authority have been included as a discretely presented component unit. As such, the component unit column in the combined financial statements presents the financial data of the Authority. All transfers out from the Authority are made to the County’s general fund. This unit is reported in a separate column to emphasize that it is legally separate from the Board. (See Note 12).

Because the component unit has been reported as if it is part of the County, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable. The component unit’s presentation consists of the Authority’s general fund. Separate financial information for the Housing Finance Authority is available at the County Courthouse, Monroe Street, Room 313, Tallahassee, Florida 32301.

##### **Basis of Presentation**

The financial activities of the County are recorded in separate funds and account groups, each of which is considered a separate accounting entity. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance - related legal and contractual provisions.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories, eight generic fund types and two account groups as follows:

## Leon County, Florida

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Basis of Presentation (continued)

###### *Governmental Fund Types*

- General Fund — The General Fund is the general operating fund of the County. This fund is used to account for all financial transactions not required to be accounted for in another fund. All general operating revenues which are not restricted or designated by outside sources are recorded in the general fund.
- Special Revenue Funds — These funds are used to account for special assessments and specific governmental revenue sources other than major capital projects that are restricted by law or administrative action to expenditures for specific purposes. The County has 26 special revenue funds.
- Debt Service Funds — These funds are used to record the funding and payment of principal and interest on debt reported in the General Long-Term Debt Account Group. The County has 10 debt service funds.
- Capital Projects Funds — These funds are used to account for the acquisition or construction of major capital facilities other than those financed by the Proprietary Funds. The County has 7 capital projects funds.

###### *Proprietary Fund Types*

- Enterprise Fund — This fund is used to report operations that provide services which are financed primarily by user charges where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The enterprise funds consist of the Landfill Operating Fund, the Recycling Fund and the Amtrak Fund.
- Internal Service Funds — These funds account for goods or services provided by various departments to other departments of the County on a cost-reimbursement basis. These funds consist of the Motor Pool Fund, the Communication Trust Fund, the Insurance Service Fund and the Leon County Commission Governmental Leasing Corporation (master lease) Fund.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Basis of Presentation (continued)

###### *Fiduciary Fund Types*

- Agency Funds — These funds account for assets held by the County 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.
- Expendable Trust Fund — This fund is used to account for the operations of the commissary operated for the benefit of County jail inmates whereby the County is under no obligation to maintain the trust principal.

###### *Account Groups*

- General Fixed Assets Account Group — This account group accounts for all fixed assets of the County, except for the fixed assets of the Proprietary Funds. Public domain general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.
- General Long-Term Debt Account Group — This account group presents the balance of any general and special obligation bonds, capital lease obligations, the liability for compensated absences and the liability for arbitrage rebate expected to be financed from governmental funds. Proprietary fund debt is accounted for in the proprietary funds.

##### Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general-purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Governmental Funds measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources rather than upon net income determination). The accompanying general-purpose financial statements have been prepared using the modified accrual basis of accounting for all Governmental Funds. Accordingly, revenues are recognized when measurable and available.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Basis of Accounting (continued)

In applying the “susceptible to accrual” concept to intergovernmental revenues (grants, entitlements and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be earned by the County; therefore, revenues are recognized when the expenditures are recorded. In the other, monies are essentially unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

Licenses and permits, charges for services, fines and forfeitures and other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Property taxes levied for the 2001 calendar year are not considered available at September 30, 2001, since a legally enforceable claim did not exist as of that date and those revenues are not collected in sufficient time thereafter to be used for fiscal 2001 expenditures.

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

The financial statements of the Proprietary Funds reflect the flow of economic resources measurement focus and are prepared on the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized at the time liabilities are incurred. Governmental Accounting Standard Board (“GASB”) Statement No. 20, *“Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,”* offers the option of either following all Financial Accounting Standards Board (“FASB”) standards issued after November 30, 1989, unless the latter conflict with or contradict GASB pronouncements, or not following FASB standards issued after such date. The Proprietary Funds do not apply all FASB statements and interpretations issued after November 30, 1989.

##### Budgets and Budgetary Accounting

Florida Statutes, Chapter 129, Section 129.01 (2) (b), requires that “...the receipts division of the budget shall include ninety-five percent of all receipts reasonably expected to be anticipated from all sources, including taxes to be levied, and one hundred percent of the amount of the balances, both of cash and liquid securities, estimated to be brought forward at the beginning of the fiscal year.” The County has complied with the provisions of the above Florida Statutes.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Budgets and Budgetary Accounting (continued)**

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

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

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

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



## Leon County, Florida

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Budgets and Budgetary Accounting (continued)

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

## Leon County, Florida

### Notes to Financial Statements (continued)

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Encumbrances**

Commitments related to unperformed contracts for goods and services are recorded as encumbrances. They do not constitute expenditures or liabilities. Encumbrances are recorded as reservations of fund balance for the subsequent year's appropriation. Encumbrances lapse at year-end and are reappropriated as part of the following year's budget.

##### **Cash and Investments**

Cash for all funds is pooled to facilitate cash management. Cash equivalents are considered to be short-term investments with original maturities of three months or less. Cash includes amounts in demand deposits.

Investments consist of the following:

- 1) U.S. Government obligations and repurchase agreements (collateralized by government securities) which are stated fair value;
- 2) investments administered by the Florida State Board of Administration which are stated at amortized cost, which approximates value of the pool shares; and,
- 3) commercial paper of prime quality and bankers' acceptances, which were carried at fair value.

##### **Short-Term Interfund Receivable/Payables**

During the course of operations, numerous transactions occur between individual funds for services rendered or goods provided resulting in receivables and payables, which 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, which indicates that they are not available for appropriation because they do not constitute expendable available financial resources.

##### **Inventories**

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

## Leon County, Florida

### Notes to Financial Statements (continued)

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Restricted Assets**

Certain investments are set aside in the Debt Service Fund for repayment of revenue bonds. These resources are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The balance in the extraordinary loss fund risk pool held by the Florida Association of Counties Trust (FACT) is set aside in the Internal Service Fund to fund future general liability claims in the Trust. 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.

##### **Fixed Assets**

Fixed assets purchased in the governmental fund types are recorded as expenditures at the time of purchase. Such assets are reported at cost in the General Fixed Assets Account Group. Donated assets are recorded at fair market value at the date of donation in the General Fixed Assets Account Group. Certain governmental improvements, including roads, bridges, curbs and gutters, and sidewalks are not recorded in the General Fixed Asset Account Group. Depreciation is not recorded in the General Fixed Assets Account Group.

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

The Sheriff is accountable for and thus maintains general fixed asset records pertaining to equipment used in his operations. These assets have been combined with the Board's general fixed assets in the General Fixed Assets Account Group.

##### **Liability for Compensated Absences**

Employees of the County are granted annual leave in varying amounts based on length of service. Annual leave may not be accumulated over 240 hours. Upon termination of employment, the employee can receive a cash benefit, based upon the employee's current wage rate and the annual leave not taken.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Liability for Compensated Absences (continued)**

Sick leave is accumulated at the rate of one day for each full calendar month of continuous employment. One quarter of the employee's accumulated sick leave is paid upon termination of employment.

Vested or accumulated annual leave and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated annual leave and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group.

##### **Executive Service Plan**

Executive service and senior management employees of the Board of County Commissioners 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. Amounts of severance pay that are not expected to be liquidated with expendable available financial resources are reported in the General Long Term Debt Account Group.

##### **Fund Equity**

Contributed capital accounted for in the Proprietary Fund types represent contributions from other funds or governmental entities. The contributions are to establish such funds or to finance fixed asset additions, inventory acquisitions or other specific expenses. There were no changes to contributed capital during the fiscal year. Depreciation expense on the contributed fixed assets is reflected in the respective statements of revenues, expenses and changes in retained earnings.

Reserves represent either those portions of fund equity not available for appropriation of expenditure or those portions 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 which are common to the Board and all Constitutional Officers are reported as expenditures of the Board of County Commissioners and, therefore, are not budgeted by or allocated to the other Constitutional Officers. These are occupancy costs, property insurance, utilities (except telephone and jail utilities) and janitorial services.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### 1. Summary of Significant Accounting Policies (continued)

##### Memorandum Only - Totals

Totals columns on the accompanying general purpose financial statements are captioned as Memorandum Only because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

#### 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 the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit counties to levy property taxes at a rate of up to 10 mills. The tax levy of Leon County is established by the Board prior to October 1 of each year. The millage rate collected by the County during the current fiscal year was 8.58 mills. Additionally, effective October 1, 2000, the County approved the implementation of a Fire Municipal Services Taxing Unit to be assessed to County residents at a millage rate of 1.39 mills.

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 State 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 2001 is included in the accompanying general purpose financial statements, since such taxes are collected to finance expenditures of the subsequent period.

On or prior to June 1, following the tax year, 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, 2001.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### **3. Cash and Investments**

##### *Cash*

Cash deposits at September 30, 2001 consist of cash on hand and demand deposit accounts with banks designated by the State Treasurer as qualified public depositories. For the purposes of the statement of cash flows, cash for the Internal Service Fund is comprised of cash and cash with fiscal agent totaling \$3,049,142.

At September 30, 2001, the carrying amount of the County's deposits was \$63,781,013 and the bank balances were \$72,196,641. Deposits whose values exceed the limits of Federal depository insurance are entirely insured or collateralized pursuant to Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

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

##### *Investments*

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

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

## Leon County, Florida

### Notes to Financial Statements (continued)

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

##### *Investments (continued)*

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

There were no violations of this policy during the fiscal year. During portions of the fiscal year ended September 30, 2001, the County carried all of the investment types described above except for securities of any open-end or closed-end management type investment company or investment trust.

The County has certain banking arrangements that provide for the daily cash balances to be invested in an overnight repurchase agreement. At September 30, 2001, the interest rate related to these arrangements was 2.6%.

Restricted investments include \$5,043,569 of investments in the Enterprise Fund (Note 11) and \$20,767 of investments in the Internal Service Fund (Note 8).

# Leon County, Florida

## Notes to Financial Statements (continued)

### 3. Cash and Investments (continued)

#### *Investments (continued)*

The County's investments at September 30, 2001 are categorized in the following table to give an indication of the level of risk assumed.

Type	Risk Category			Carrying Amount
	1	2	3	
Government Agencies	\$ 22,792,356	\$ —	\$ —	\$ 22,792,356
Corporate Bonds	14,112,053	—	—	14,112,053
Repurchase Agreements (collateralized by government securities)	—	—	7,421,511	7,421,511
United States Treasury Notes	22,164,791	—	—	22,164,791
	<u>\$ 59,069,200</u>	<u>\$ —</u>	<u>\$ 7,421,511</u>	
Local Government Surplus Trust Fund				27,477,573
Florida Association of Counties Trust Fund				20,767
				<u>\$ 93,989,051</u>

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

The investments in the Local Government Surplus Funds Trust Fund (LGSF), administered by the State Board of Administration (SBA), and the Florida Association of Counties Trust Fund are not categorized above, as they are not evidenced by securities that exist in physical or book entry form. Investment income of the Local Government Surplus Trust Fund is allocated on a pro-rata basis using the weighted average investment balance per fund. The LGSF is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for an SEC Rule 2a-7 fund. The LGSF is governed by Chapter 19-7 of the *Florida Administrative Code*, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA. The County's fair value of its position in the pool approximates its value of the pool shares.



# Leon County, Florida

## Notes to Financial Statements (continued)

### 3. Cash and Investments (continued)

#### *Investments (continued)*

There were no losses during the period due to default by counter parties to investment transactions. Due to higher cash flows at certain times during the fiscal period, the County's carrying value of certain investments included in risk category 3 above was significantly higher than that at September 30, 2001.

### 4. Fixed Assets

A summary of changes in general fixed assets for the year ended September 30, 2001 follows:

	October 1, 2000	Additions	Reductions	September 30, 2001
Land	\$ 14,084,006	\$ 152,117	\$ —	\$ 14,236,123
Buildings and improvements	122,647,764	2,344,290	—	124,992,054
Equipment:				
Sheriff	15,791,946	1,154,206	(774,979)	16,171,173
Board of County Commissioners	18,117,840	3,801,760	(2,843,470)	19,076,130
Construction-in-progress	4,108,295	3,911,668	(1,476,350)	6,543,613
Total	<u>\$ 174,749,851</u>	<u>\$11,364,041</u>	<u>\$ (5,094,799)</u>	<u>\$ 181,019,093</u>

The amount and estimated useful lives of the major classifications of Proprietary Fund fixed assets at September 30, 2001 are summarized below:

	Enterprise	Internal Service	Lives In Years
Land	\$ 2,409,844	\$ —	—
Buildings and improvements	11,836,392	236,261	4.5 - 30
Equipment	3,997,388	7,080,421	5 - 20
Construction in Progress	314,931	—	—
	<u>18,558,555</u>	<u>7,316,682</u>	
Accumulated depreciation	<u>(11,193,966)</u>	<u>(7,262,620)</u>	
	<u>\$ 7,364,589</u>	<u>\$ 54,062</u>	

Leon County, Florida

Notes to Financial Statements (continued)

**5. Long-Term Debt**

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

	Balance October 1, 2000	Additions (Reductions)	Balance September 30, 2001
<b>General Long-Term Debt Account Group</b>			
Special revenue debt:			
Capital Improvement Revenue Bonds, Series 1998A	\$ 9,710,000	\$ —	\$ 9,710,000
Capital Improvement Revenue Bonds, Series 1997	6,355,000	(250,000)	6,105,000
Refunding Revenue Bonds, Series 1993	8,140,000	(745,000)	7,395,000
Capital Improvement and Refunding Revenue Bonds, Series 1988	1,605,000	(420,000)	1,185,000
Infrastructure Sales Surtax Revenue Bonds, Series 1991	19,950,000	(19,950,000)	—
Capital Improvement Refunding Revenue Bonds, Series 1998B	26,595,000	(1,475,000)	25,120,000
Capital Improvement Refunding Revenue Bonds, Series 1999	29,675,000	(235,000)	29,440,000
Sunshine State Governmental Financing Commission	—	15,960,000	15,960,000
Total special revenue debt	102,030,000	(7,115,000)	94,915,000
Capital lease obligations	3,875,000	(1,863,500)	2,011,500
Liability for compensated absences	7,781,133	142,303	7,923,436
Arbitrage rebate liability	25,000	—	25,000
	<u>\$113,711,133</u>	<u>\$ (8,836,197)</u>	<u>\$ 104,874,936</u>

Total interest costs incurred for general long-term debt by the County for the year ended September 30, 2001 were \$5,687,783.

# Leon County, Florida

## Notes to Financial Statements (continued)

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

- B. A summary of each special revenue debt obligation outstanding at September 30, 2001 is as follows:

	<b>Outstanding at September 30, 2001</b>
\$9,710,000, Capital Improvement Revenue Bonds, Series 1998A, to (i) fund a bond reserve, (ii) pay the bond issuance costs, and (iii) pay a portion of the cost of constructing certain capital improvements within the County, including improvement to parks and recreation, fleet management, public works and library facilities. The bonds dated May 1, 1998, are in denominations of \$5,000 each and bear interest of 5% per annum. The interest on the bonds is payable on April 1, and October 1, beginning October 1, 1998. The bond principal matures serially on October 1 of each year beginning October 1, 2014.	\$ 9,710,000
\$7,255,000, Revenue Bonds, Series 1997, to (i) pay a portion of the cost for restoration of certain lakes in Leon county, (ii) to fund bond reserves, and (iii) pay bond issuance cost. The bonds, dated June 1, 1997 are in denominations of \$5,000 each and bear interest from 4.25% to 5.25% per annum. The interest on the bonds is payable on April 1, and October 1, beginning October 1, 1997. The bond principal matures serially on October 1, of each year beginning October 1, 1997. There are also term bonds maturing in 2017.	6,105,000
\$12,680,000, Refunding Revenue Bonds, Series 1993, to (I) advance refund a portion of the County's outstanding Capital Improvement Refunding Revenue Bonds, Series 1988 and a portion of the County's outstanding Capital Improvement Revenue Bonds, Series 1989, (ii) fund the Reserve Account and (iii) pay a portion of the costs of issuance of the Series 1993 Bonds. The Bonds, Dated May 15, 1993, are in denominations of \$5,000 each and bear interest from 3.90% to 5.50% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 1993. The bond principal matures serially on October 1 of each year beginning October 1, 1996.	7,395,000
\$28,395,000 Capital Improvement and Refunding Revenue Bonds, Series 1998B, to: (i) refund the Capital Improvement Anticipation Notes, Series 1991 and (ii) pay the bond issuance costs. The bonds, dated July 6, 1999, are in denominations of \$5,000 each and bear interest of 5.25% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 1999. The bond principal matures serially on October 1 of each year beginning October 1, 1999.	25,120,000

## Leon County, Florida

### Notes to Financial Statements (continued)

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

Outstanding at  
September 30,  
2001

\$9,728,972, Capital Improvement and Refunding Revenue Bonds, Series 1988, to refund the Capital Improvement Refunding Revenue Bonds, Series 1985 A, fund a bond reserve, pay the bond issuance costs, and pay a portion of costs of the County's library facility and other County approved capital improvements. The bonds, dated October 1, 1988, are in denominations of \$5,000 each and bear interest from 6.5% to 7.35% per annum. The interest on these bonds is payable on April 1 and October 1, beginning April 1, 1989. The bond principal matures serially on October 1 of each year beginning October 1, 1994. However, the next principal payment is not due until October 1, 2001.

1,185,000

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

29,440,000

*The Capital Improvement Revenue Bonds, Series 1998A, 1999 and 1997, Refunding Revenue Bonds, Series 1993, the Capital Improvement and Refunding Revenue Bonds, Series 1998B, and Capital Improvement Revenue Bonds, Series 1988 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.*

Loan payable to the Sunshine State Governmental Financing Commission. Principal and interest payments are due annually beginning October 1, 2002 through 2004. Interest is calculated at a rate of 3.38%. The loan is secured by the infrastructure sales surtax revenue.

15,960,000

Total Special Revenue Debt

\$ 94,915,000

#### Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the "Commission") was created in November 1985, initially by the City of Tallahassee, Florida and the City of Orlando, Florida. As of September 30, 2001, twelve cities and three counties are members of the Commission. Three cities participate as non-members.

## Leon County, Florida

### Notes to Financial Statements (continued)

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

As a joint venture among the member governmental units, the Commission enables a limited number of qualifying governments to participate in pooled debt financings with pricing and cost structures not normally available to governmental entities acting individually. Loan obligations from the Commission are reflected as debt by the participating governmental units.

The Board has no obligation and minimal event risk associated with the Commission other than the repayment of its loan from the Commission.

Financial statements may be obtained from the Commission.

#### C. Special Revenue Debt Bond Covenants:

*Capital Improvement Revenue Bonds, Series 1999, 1998A and Series 1997; Refunding Revenue Bonds, Series 1993; Capital Improvement and Refunding Bonds, Series 1998B and 1988*

These parity Bonds' Resolutions provide for:

1. Establishment and maintenance of various funds —
  - a. A Revenue Fund to record the receipt of revenues pledged for debt service;
  - b. A Debt Service Fund to record all debt service requirements of the issue which includes principal, interest and reserve requirements;
2. Restrictions on the use of cash from operation in order of priority —
  - a. Deposits are made to the Revenue Fund to meet current operations:
  - b. Deposits to the Debt Service Fund are required to be made monthly, equal to one-sixth (1/6) of the interest becoming due on the next semi-annual interest payment date and one-twelfth (1/12) of the principal becoming due to the next principal maturity date.
3. Early redemption —

The bonds are subject to early redemption at call rates varying from 100% to 102% of their face value.

Leon County, Florida

Notes to Financial Statements (continued)

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

4. Investment restrictions and reserve accounts —

*Refunding Revenue Bonds, Series 1993*

Monies on deposit in the Revenue Fund and Debt Service Fund may be invested in Permitted Investments which shall mature or which shall be subject to redemption not later than the date when the monies on deposit will be required for the purpose intended. Monies in the Reserve Account may be invested in Permitted Investments maturing no later than five years from the date of the investment.

The County has covenanted to maintain on deposit a reserve requirement in an amount equal to the maximum amount required to be deposited without regard to investment earnings during any Bond Year, plus the amount required to pay all fees due and payable during such Bond Year to the Registrar and Paying Agent.

*Capital Improvement and Refunding Revenue Bonds, Series 1991 and Series 1988; Capital Improvement Revenue Bonds, Series 1999, 1998A and 1997:*

Monies on deposit in the Revenue Fund and Debt Service Fund may be invested in securities which mature or which shall be subject to redemption not later than the dates on which the monies on deposit will be needed for their specified purpose. Monies in the Reserve Account may be invested in securities which mature not later than the date of the last maturity of any of the outstanding bonds.

The County has covenanted to maintain on deposit a reserve requirement which is equal to the lesser of the maximum bond service requirement or 125% of the average bond service requirement becoming due in any bond year.

Leon County, Florida

Notes to Financial Statements (continued)

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

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

	Year ending September 30				
	2002	2003	2004	2005	2006
Capital Improvement Revenue Bonds, Series 1998A	\$ 485,500	\$ 485,500	\$ 485,500	\$ 485,500	\$ 485,500
Capital Improvement Revenue Bonds, Series 1997	564,873	563,432	566,283	563,457	564,887
Refunding Revenue Bonds, Series 1993	437,592	1,705,093	1,712,443	1,709,902	1,709,455
Capital Improvement Revenue Refunding Bonds, Series 1998B	2,873,800	2,872,162	2,871,325	2,876,025	2,880,737
Capital Improvement and Refunding Revenue Bonds, Series 1988	1,272,097	—	—	—	—
Sunshine State Governmental Financing Commission	5,699,448	5,675,040	5,675,562	—	—
Capital Improvement Revenue Bonds, Series 1999	1,717,958	1,728,557	1,718,103	1,717,584	1,711,189
Total Debt Service	<u>\$ 13,051,268</u>	<u>\$ 13,029,784</u>	<u>\$ 13,029,216</u>	<u>\$ 7,352,468</u>	<u>\$ 7,351,768</u>

Leon County, Florida

Notes to Financial Statements (continued)

Thereafter	Total Payments	Less: Interest	Principal
\$ 14,352,200	\$ 16,779,700	\$ 7,069,700	\$ 9,710,000
6,208,463	9,031,395	2,926,395	6,105,000
1,714,375	8,988,860	1,593,860	7,395,000
20,117,987	34,492,036	9,372,036	25,120,000
—	1,272,097	87,097	1,185,000
—	17,050,050	1,090,050	15,960,000
38,440,063	47,033,454	17,593,454	29,440,000
<u>\$ 80,833,088</u>	<u>\$ 134,647,592</u>	<u>\$ 39,732,592</u>	<u>\$ 94,915,000</u>



## Leon County, Florida

### Notes to Financial Statements (continued)

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

##### E. Refunded Obligations

The County has refunded certain obligations by placing amounts into an escrow account which will be invested so that the accumulated investment and interest earnings will be sufficient to pay the remaining principal and interest on the refunded obligations as they become due. Although the refunded obligations are not shown as liabilities of the County the escrow agreement states that in the unlikely event that the accumulated funds in the escrow accounts are insufficient to meet required debt service payments, the County would be required to fund any deficiency. At September 30, 2001, general long-term debt special revenue bonds are considered defeased as follows:

Capital Improvement Revenue Refunding Bonds, Series 1991	\$ 25,720,000
Capital Improvement Revenue Bonds, Series 1989	3,345,000
Capital Improvement and Refunding Revenue Bonds, Series 1988	
Current interest bonds	680,000
Capital appreciation bonds	4,724,454
Capital Improvement and Refunding Revenue Bonds, Series 1986	23,645,000
Capital Improvement Bonds, Series 1977	645,000
Capital Improvement Bonds, Series 1976	2,905,000
	<u>\$ 61,664,454</u>

#### 6. Capital Lease Obligations

The Board has entered into a lease agreement as lessee for financing the acquisition of approximately 45 acres of land on Lake Jackson at a total purchase price of \$4,200,000. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, a liability of \$3,875,000 has been recorded in the general long-term debt account group, which represents the present value of the future minimum lease payments as of the inception date. Additionally, land in the amount of \$4,200,000 has been recorded in the general fixed asset account group. The lease carries a variable interest rate equal to the Bank of America's prime rate.

During the fiscal year ended September 30, 2001, the Board paid \$1,863,500 in principal reductions and \$176,344 in interest associated with this capital lease. Subsequent to September 30, 2001, but prior to the issuance of the financial statements, the Board received a grant from the Florida Communities Trust in the amount of \$1,983,514 to pay off the lease and obtain title to the land. As part of the closing agreement, the Board paid \$331,942 and agreed to use the land only for purposes specified in the grant.

# Leon County, Florida

## Notes to Financial Statements (continued)

### 7. Employees' Retirement Plan

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

The 1997 Legislature passed legislation that established a new benefit program for all eligible FRS members effective July 1, 1998. The Deferred Retirement Option Program (DROP) will allow members to have their retirement benefits deposited monthly into their DROP account, earning interest, while simultaneously continuing to work (but not earning additional credit for retirement). The maximum DROP period is sixty months. At the end of the DROP period, the DROP account is distributed to the member; however, the member must terminate employment or lose their DROP benefit. Benefits are determined by category and length of service as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2000	July 1, 2001
Regular Class	Normal retirement at age 62 or at least 30 years of service: 1.60% times average compensation (five highest years) times years of creditable service.	After ten years creditable service.	9.15%	7.30%
Senior Management Class	Normal retirement at seven years and age 62: 2.00% times average compensation (five highest years) times years of creditable service.	After seven years creditable service.	11.13%	9.28%
Special Risk (sworn employees)	Normal retirement at age 55, or 25 years of special risk service: 2% to 3% times average compensation (five highest years) times years of creditable service.	After ten years of creditable service.	20.29%	18.44%
Elected County Officers' Class (ESCOC) - Non-judicial	Normal retirement at eight years ESCOC service and age 62: 3.00% times average compensation (five highest years) times years of creditable service.	After eight years creditable service.	16.99%	15.14%
Deferred Retirement Option Program (DROP)	Retirement benefit paid to DROP where it earns 6.5% interest, tax deferred, for up to five years while the member continues to work.	Available to vested members at normal retirement age or date.	12.50%	12.67%

## Leon County, Florida

### Notes to Financial Statements (continued)

#### **7. Employees' Retirement Plan (continued)**

The retirement contribution rate includes an assessment of 1.11% and .94% effective July 1, 2001 and 2000, respectively, which is used to finance the post retirement health insurance supplement. The System also provides disability and survivor's benefits. Benefits are established by State statute.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due.

The contributions required for the years ended September 30, 2001, 2000, and 1999 were \$6,459,173, \$6,722,508, and \$8,236,534, respectively, which is equal to the required contribution for each year.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling 850-488-5541.

#### **8. Risk Management**

##### **General Liability**

The Board is currently 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.

At September 30, 2001, the Board maintained a balance in an Extraordinary Loss Fund held by FACT in the amount of \$20,737, which is included in the current year financial statements as restricted assets. In addition, the County has recorded an estimated liability of \$16,220 in the Insurance Service Fund (an internal service fund) for future general liability claims.

During the fiscal year the Board authorized a study of its insurance coverage to identify and eliminate potentially overlapping and/or gaps in insurance protection. As a result of the study the Board approved the purchase of commercial coverage (rather than risk pooling through FACT) for general liability, and extended its pollution liability coverage to include the activities related to herbiciding and pesticiding. Both of these changes are effective for the fiscal year beginning October 1, 2001.

Leon County, Florida

Notes to Financial Statements (continued)

**8. Risk Management (continued)**

**Workers' Compensation**

The Board maintains a self-insurance Internal Service Fund to account for insurance activities relating to workers' compensation that is administered by a third-party administrator. Under this program, the Board absorbs losses up to a maximum of \$400,000 for each claim. At September 30, 2001, the Board had \$5,339 deposited with the third-party administrator for use against future claims. The Board purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in the current year or any of the past three years.

All funds of the Board participate in this program and make payments to the Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims. Retained of the self-insurance fund are available for funding of catastrophic losses.

The claims liability for workers' compensation of \$2,029,661, which includes an actuarial evaluation for incurred but not reported claims of \$414,407 reported in the Fund at September 30, 2001. Liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2000/2001 were:

<b>Year</b>	<b>Beginning of Fiscal-Year</b>	<b>Current-Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year-End</b>
2000	\$ 1,404,834	\$ 884,379	\$ 473,425	\$ 1,815,788
2001	\$ 1,815,788	\$ 638,470	\$ 424,597	\$ 2,029,661

**Automobile Liability**

The Board self-insures for automobile liability, which is accounted for in the Self-Insurance Internal Service Fund. Under this program, the Board absorbs losses up to a maximum of \$25,000 for each claim. The Board purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims did not exceed retention level for this commercial coverage in the current year or any of the past three years.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### 8. Risk Management (continued)

All funds of the Board participate in this program and make payments to the Insurance Service Fund. Premiums are paid by the departments based on the vehicles used by their personnel. The premiums are intended to pay current year claims. Excess premiums are recorded as a designation of retained earnings for catastrophic losses.

Current year claims expense was \$(43,816), which includes changes in estimates on outstanding claims payments of \$(25,505) for the year ended September 30, 2001. At September 30, 2001 the Board recorded a total liability of \$29,375 for estimated future automobile claims.

As result of the study described in the general liability section, the Board approved the addition of physical damage coverage to vehicles valued at \$25,000 or greater. This additional coverage is effective for the fiscal year beginning October 1, 2001.

#### 9. Segment Information — Enterprise Funds

The Board maintains three enterprise funds. The Landfill Fund accounts for revenues and expenditures related to the operation of the Leon County Landfill. The Recycling Fund accounts for the collection of revenues related to the sale of processed recyclables and related costs to support the program. The Amtrak fund accounts for revenues associated with leased office space at the railroad station and related maintenance costs.

Selected segment information for the fiscal year ended September 30, 2001, is as follows:

	<u>Landfill</u>	<u>Recycling</u>	<u>Amtrak</u>	<u>Total</u>
Operating revenues	\$ 6,086,304	\$ —	\$ 17,468	\$ 6,103,772
Operating expenses	6,682,789	11,795	—	6,694,584
Operating income (loss)	(596,485)	(11,795)	17,468	(590,812)
Depreciation	1,657,205	—	—	1,657,205
Non-operating revenues	2,324,537	8,575	3,110	2,336,222
Fixed asset additions	731,835	—	—	731,835
Net working capital	14,887,002	132,538	62,340	15,081,880
Total assets	26,219,880	134,706	1,436,021	27,790,607
Total Contributed Capital	—	—	1,349,925	1,349,925
Total equity	16,079,215	132,538	1,436,021	17,647,774

#### 10. Other Required Individual Fund Disclosures

- A. The Sheriff does not formally budget for County Court fees and related law enforcement training expenditures in the special grants fund.

Leon County, Florida

Notes to Financial Statements (continued)

**10. Other Required Individual Fund Disclosures (continued)**

- B. At September 30, 2001, the Motor Pool internal service fund had deficit retained earnings of \$25,120, which is expected to be liquidated from subsequent years appropriations. The deficit balance is comprised of cumulative operating losses of \$313,311 partially offset by contributed capital to that fund of \$288,191.
- C. Debt service expenditures exceed budgeted expenditures due to the acquisition of a loan with Sunshine State Governmental Financing Commission, which was used to retire higher interest special revenue bonds. The proceeds from the loan and the principal payments to retire the existing debt were not budgeted. See Note 5 for a description of the Sunshine State Governmental Finance Commission and the related debt service payments required under the terms of the loan. Additionally, the Legal Aid Trust fund expenditures exceeded appropriations because the funds are passed through from the County Clerk to Legal Services of North Florida and the Legal Aid Foundation in accordance with County Statute. During the fiscal year more funds were collected and passed through than originally budgeted.
- D. Individual fund inter-fund receivable and payable balances — Such balances at September 30, 2001, were:

<b>Fund</b>	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General Fund	\$ 1,400,700	\$ 998,456
Special Revenue Funds:		
Transportation	102,648	1,120,932
Fine & forfeiture	1,040,342	180,006
Probation	78,530	—
Legal aid trust	10,610	—
Family mediation	14,230	—
Law library	4,602	—
Criminal justice trust	28,881	28,881
Drug abuse trust	3,650	—
Building inspection	—	28,597
Growth Management	—	98
MSBU Stormwater Utility	33,550	—
Grants	18,507	138,849
911 emergency communications	—	107,631
Fire MSTU fund	1,154	—
Municipal service fund	—	159
Tourist development	144,175	—
Special assessment	183	18
Sheriff special revenue	15,598	32,697
Sheriff emergency management	111,125	69,389
Records modernization trust fund	13,515	—
	<u>1,621,300</u>	<u>1,707,257</u>

Leon County, Florida

Notes to Financial Statements (continued)

**10. Other Required Individual Fund Disclosures (continued)**

D. Individual fund inter-fund receivable and payable balances (continued)

Debt Service Funds:		
1991 LOS	1,120,912	—
Series 1988	—	400,000
	<u>1,120,912</u>	<u>400,000</u>
Capital Projects Funds:		
Capital Improvement Fund	—	130
1999 Bond Construction Fund	—	99,530
Emergency Communications	25,020	—
	<u>25,020</u>	<u>99,660</u>
Enterprise Funds:		
Landfill Fund	1,367	—
	<u>1,367</u>	<u>—</u>
Internal Service Funds:		
Insurance Service Fund	—	11
Communications trust fund	25,720	—
Motor Pool Fund	21,019	106,833
	<u>46,739</u>	<u>106,844</u>
Trust & Agency Funds:		
Employee Benefits Fund	—	81,627
Taxes and licenses	—	338,671
Child support	33,969	21,248
Clerk suspense	—	22,758
County court trust	—	359,895
Condemnation	—	24,675
Sheriff IDA	17,956	77,434
Sheriff suspense	185	4,827
Sheriff inmate	—	24,796
	<u>52,110</u>	<u>955,931</u>
	<u>\$ 4,268,148</u>	<u>\$ 4,268,148</u>

	<b>Advances</b>	
	<b>To</b>	<b>From</b>
General Fund	\$ 20,000	\$ —
Communications Trust Fund	—	20,000
	<u>\$ 20,000</u>	<u>\$ 20,000</u>

## Leon County, Florida

### Notes to Financial Statements (continued)

#### **11. Closure and Postclosure Care Cost**

State and federal laws and regulations require the County 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 County 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 \$9,842,264 reported as landfill closure and post-closure care liability at September 30, 2001, represents the cumulative amount reported to date based on the use of 90.93% of the estimated capacity of the landfill cells placed in use. The County will recognize the remaining estimated cost of closure and post-closure care of \$4,065,719 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2001 on those cells placed in use. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws to make annual contributions to an escrow account to finance a minimum of all closure costs and at least one year of post-closure costs. The County is in compliance with those minimum requirements, and at September 30, 2001, held restricted investments with a fair value of \$5,043,569 for these purposes. The County 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.

On October 23, 2001, the County passed a resolution approving a contract for the construction of the Leon County transfer station. The contract was approved for an amount not to exceed \$4,379,000. This commitment has been reflected as a Board designated reserve for transfer station on the September 30, 2001 combined balance sheet.

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

The Housing Finance Authority of Leon County (“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 by the Board of County Commissioners of Leon County, Florida. The Authority is a Dependent Special District as defined in Chapter 89-169, Laws of Florida, whose governing body is appointed by the Board of County Commissioners.



## Leon County, Florida

### Notes to Financial Statements (continued)

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

The Authority had the following bonds outstanding at September 30, 2001, pursuant to its authorization:

	<i>Unaudited</i> Amount Outstanding
Single Family Mortgage Revenue and Refunding Bonds:	
Series 1984 A	\$ 1,047,371
Series 1995 A	5,570,000
Series 1995 B	6,845,000
	<u>\$ 13,462,371</u>

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. Operating leases:

The County is committed to various operating leases for computer equipment and certain real property. Operating leases are generally defined as leases that do not transfer benefits and risks of ownership to the lessee. Certain of these leases allow for up to five consecutive one-year renewal terms, as well as contain provisions for future adjustments to the minimum lease payment based upon changes in the Consumer Price Index. The following schedule shows the future minimum payments of noncancelable operating leases and software license and maintenance agreements with terms in excess of one year as of September 30, 2001:

<u>Fiscal Year</u>	<u>Amount</u>
2001-2002	\$ 705,829
2002-2003	691,961
2003-2004	543,084
2004-2005	347,942
2005-2006	306,678
Thereafter	1,330,066
Total future minimum payments	<u>\$ 3,925,560</u>

Rental expense incurred under operating leases was approximately \$797,548 for the year ended September 30, 2001.

## Leon County, Florida

### Notes to Financial Statements (continued)

#### 13. Commitments and Contingencies (continued)

##### B. Contract Commitments:

###### *800 MHz Trunked Simulcast Radio (TSR) System*

The Sheriff and the Leon County Board of County Commissioners (the County) entered into an inter-local agreement with the City of Tallahassee (the City) on July 23, 1999 to establish parameters relating to ownership, expansion, operation, maintenance and the use of the 800 MHz Trunked Simulcast Radio (TSR) system. The agreement provides for 25% ownership of certain equipment by the Sheriff and the County. The agreement also provides that the Sheriff and the County are required to pay to the City 25% of the system operating costs. The term of the agreement is seven years. Activity related to the agreement is accounted for as a joint operation.

###### *Grants*

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

###### *Long-Term Construction Projects*

The County is committed to various long-term construction projects at September 30, 2001. These commitments have been included in the 2001-2002 fiscal year budget and certain amounts have been reserved in the capital projects fund. See also Note 11 regarding approval of the contract to construct the Leon County transfer station.

###### *Advance Funding for Road Improvements*

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

<b>Fiscal Year</b>	<b>Road</b>	<b>Amount</b>
1996-1997	Mahan Drive	\$ 3,360,000
1997-1998	Thomasville Road	7,295,007
1999-2000	Mahan Drive	5,040,000
		<u>\$ 15,695,007</u>

Leon County, Florida

Notes to Financial Statements (continued)

**13. Commitments and Contingencies (continued)**

B. Contract Commitments (continued):

*Advance Funding for Road Improvements (continued)*

The advance funding is reimbursable by the FDOT, contingent upon the State appropriating the funds in future years. As of September 30, 2001, the Board has received cumulative reimbursements of \$2,688,000.

C. Potential liabilities resulting from litigation:

*The Bradfordville Study Area*

The County is involved in several litigation matters involving the Bradfordville Study Area and the County's related comprehensive plan. According to a court order dated December 15, 1998, the County was found to have failed to yet comply with certain sections of its comprehensive plan. As a result, the County was enjoined from issuing any future building permits or other development permits authorizing construction in the Bradfordville Study Area until such time as the County comes into compliance with those sections. The court order was later modified as a result of an interim settlement agreement dated January 12, 1999. The modified court order allowed permits to be issued for certain single family dwellings and other specifically mentioned projects, but continued to require finalization and implementation of the Bradfordville Stormwater Study (the "Study"). In November 2000, the Court dissolved the temporary injunction in substantive part. However, several lawsuits were filed alleging a temporary inverse condemnation by Leon County, and breach of contract. One such case has been resolved favorably to the County by way of summary judgment, but the landowner plaintiff has filed an appeal. Other litigation has also challenged the land development regulations enacted by Leon County in July 2000.

Leon County, Florida

Notes to Financial Statements (continued)

**13. Commitments and Contingencies (continued)**

C. Potential liabilities resulting from litigation (continued):

*Electric Franchise Fees*

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

*Other litigation*

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