

Leon County, Florida



Annual Financial Report
For The Fiscal Year Ended September 30, 2012

Prepared by the
Department of Finance

LEON COUNTY, FLORIDA

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Leon County, Florida
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Year ended September 30, 2012

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Independent Auditors' Report

The Honorable Board of County Commissioners
Leon County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of Leon County, Florida (the County), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of Leon County, Florida, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements of Leon County, Florida. The schedule of expenditures of federal awards and state financial assistance has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

March 5, 2013

Management's Discussion and Analysis

This discussion and analysis of Leon County's (the County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2012. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. We trust that the basic financial statements will, in conjunction with additional information provided in our letter of transmittal (pages xii–pages xvii), assist readers in identifying significant financial issues, and in future years, changes in the County's financial position. In this Management's Discussion and Analysis (MD&A), all amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities found on pages 13 and 14-15, respectively) concentrate on the County as a whole and do not emphasize fund types, but rather a governmental or a business-type classification, which are presented in separate columns. The governmental and business-type activities comprise the primary government and are reported separately from the component unit for which the County is accountable. In addition, neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

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

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

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

Fund Financial Statements

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

Fund Financial Statements (continued)

The County's funds are presented in separate fund financial statements, the governmental fund financial statements and proprietary fund financial statements. The County's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34)*. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements. Table 1 below summarizes the major features of the basic financial statements.

Table 1 Major Features of the Basic Financial Statements

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

Notes to the Financial Statements

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

Infrastructure Assets

GASB 34 not only mandated changes in the financial statements, but it also set forth reporting changes. One such change is to capitalize infrastructure both prospectively and retrospectively for fiscal years that end after June 30, 1981. The County for FY 2002 and subsequent years has been reporting the entire valuation of infrastructure.

Condensed Statement of Net Assets

The investment in capital assets, net of related debt, is the largest portion of the net assets. This represents capital assets (land, buildings, improvements, equipment, furniture, vehicles, and construction in progress, and infrastructure), net of accumulated depreciation, and the outstanding related debt used to acquire the assets in the amount of \$318.2 million as compared to \$315.3 million a year ago; this is an increase of \$2.9 million. Capital assets net of related debt continued to increase. This is because the County continues to reduce debt, while the depreciation on the related capital assets remains constant. The net effect is an increase in net assets. These capital assets are used to provide services to the citizens and businesses in the County; consequently, these net assets are not available for future spending. The remaining portion of net assets is unrestricted and can be used to finance government operations.

Table 2 below presents the County's Condensed Statement of Net Assets as of September 30, 2012 and 2011, as derived from the government-wide Statement of Net Assets.

Table 2

Leon County, Florida
Condensed Statement of Net Assets
As of September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 198,608	\$ 200,561	\$ 17,842	\$ 18,783	\$ 216,450	\$ 219,344
Capital assets	333,746	333,346	12,886	12,802	346,632	346,148
Total assets	<u>532,354</u>	<u>533,907</u>	<u>30,728</u>	<u>31,585</u>	<u>563,082</u>	<u>565,492</u>
Current liabilities	43,125	37,158	(247)	77	42,878	37,235
Noncurrent liabilities	78,919	83,816	11,517	11,285	90,436	95,101
Total liabilities	<u>122,044</u>	<u>120,974</u>	<u>11,270</u>	<u>11,362</u>	<u>133,314</u>	<u>132,336</u>
Net assets:						
Invested in capital assets, net of related debt	305,017	302,468	12,886	12,802	317,903	315,270
Unrestricted	<u>105,293</u>	<u>110,465</u>	<u>6,572</u>	<u>7,421</u>	<u>111,865</u>	<u>117,886</u>
*Total net assets	<u>\$ 410,310</u>	<u>\$ 412,933</u>	<u>\$ 19,458</u>	<u>\$ 20,223</u>	<u>\$ 429,768</u>	<u>\$ 433,156</u>

**Differences due to rounding*

Condensed Statement of Activities

Table 3 on page 7 presents the County's condensed Statement of Activities for the fiscal years ended September 30, 2012 and 2011, as derived from the government-wide Statement of Activities. Over time, increases and decreases in net assets may measure whether the County's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities decreased by \$2.623 million, or 0.6 percent, and the net assets of the business-type activities decreased by \$0.765 million, or 3.8 percent.

The County just completed its ninth year of several significant changes relating to tax proceeds. Since the Board of County Commissioners adopted an ordinance levying a Utility Services Tax on the unincorporated area of Leon County, this has created a stabilizing source of revenue. This tax generated \$6.4 million in FY 2011 versus \$7.3 million in FY 2012. Concurrent with the adoption of this tax, the County eliminated a Municipal Services Taxing Unit in the unincorporated area of Leon County. This tax was used to pay for fire services in the unincorporated areas of Leon County. In FY 2003, the MSTU raised \$3.737 million.

The County also adopted a Communications Services Tax in FY 2003. This is the ninth full year of the tax, with revenues in the amount of \$3.6 million in FY 2012 and \$3.9 million FY 2011. This tax has been a stabilizing factor in the County's financial picture.

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

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property. Amendment 1 became effective on October 1, 2008, but the ten percent (10%) assessment cap on non-homestead property became effective on January 1, 2009. Property taxes in FY 12 increased by 1.6%, and future growth will be tempered by the above tax changes, with increases mirroring population growth.

The Board of County Commissioners (the Board) Investment Policy is very risk averse and places a premium on security. With the effective yield rate of the portfolio averaging 1.64% for the year, investment earnings increased slightly by \$134 thousand to \$3.441 million. This increase was attributable to a higher return even though invested funds decreased slightly as the County appropriated some of its reserves for capital projects. Additional information on investment income is provided in Note IV of the notes and in the Cash Management section of the Letter of Transmittal.

Miscellaneous revenues are made up of revenues that will fluctuate annually as a result of various activities throughout the County. All other changes in activities are a result of the normal operations of the County.

Table 3

Leon County, Florida
Condensed Statement of Activities
For Fiscal Year Ended September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change 2011 to 2012
	2012	2011	2012	2011	2012	2011	
Revenues							
Program Revenues:							
Charges for services	\$ 35,150	\$ 37,018	\$ 7,086	\$ 7,264	\$ 42,236	\$ 44,282	-5 %
Operating grants & contributions	12,905	13,870	0	0	12,905	13,870	-7 %
Capital grants & contributions	7,140	2,856	0	0	7,140	2,856	150 %
Total Program Revenues	55,195	53,744	7,086	7,264	62,281	61,008	2 %
General Revenues:							
Property taxes	113,452	111,710	0	0	113,452	111,710	2 %
Local option taxes	11,369	10,802	0	0	11,369	10,802	5 %
Franchise taxes	259	339	0	0	259	339	-24 %
Communications services taxes	3,594	3,907	0	0	3,594	3,907	-8 %
Motor fuel taxes	1,395	1,386	0	0	1,395	1,386	1 %
Utility services taxes	7,237	6,394	0	0	7,237	6,394	13 %
Other taxes	0	0	1,482	1,393	1,482	1,393	6 %
State shared revenues	20,678	20,262	0	0	20,678	20,262	2 %
Investment earnings	3,665	2,335	359	431	4,024	2,766	45 %
Miscellaneous revenues	3,408	3,194	340	260	3,748	3,454	9 %
Total General Revenues	165,057	160,329	2,181	2,084	167,238	162,413	3 %
Total Revenues	220,252	214,073	9,267	9,348	229,519	223,421	3 %
Program Expenses							
General government	43,640	27,650	0	0	43,640	27,650	58 %
Public safety	91,374	99,170	0	0	91,374	99,170	-8 %
Physical environment	18,770	12,974	11,028	10,332	29,798	23,306	28 %
Transportation	24,010	29,785	0	0	24,010	29,785	-19 %
Economic environment	5,440	5,562	0	0	5,440	5,562	-2 %
Human services	10,311	10,412	0	0	10,311	10,412	-1 %
Culture and recreation	12,460	11,638	0	0	12,460	11,638	7 %
Judicial	12,498	16,222	0	0	12,498	16,222	-23 %
Interest on long-term debt	3,377	3,773	0	0	3,377	3,773	-10 %
*Total Program Expenses	221,880	217,186	11,028	10,332	232,908	227,518	2 %
Deficiency before transfers (net)	(1,628)	(3,113)	(1,761)	(984)	(3,389)	(4,097)	-17 %
Transfers	(997)	189	997	(189)	0	0	0 %
Change In Net Assets	(2,625)	(2,924)	(764)	(1,173)	(3,389)	(4,097)	-17 %
Beginning net assets	412,933	415,857	20,222	21,395	433,155	437,252	-1 %
*Ending net assets	\$ 410,308	\$ 412,933	\$ 19,458	\$ 20,222	\$ 429,766	\$ 433,155	-1 %

**Differences due to rounding*

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. The nature of governmental activities is to be funded primarily from taxes and not to be self-supporting. As a result, overall program revenues were not sufficient to cover program expenses for governmental activities. General revenues, mainly taxes, therefore supported the net program expenses of these governmental activities. Program revenues as a percentage of program expenses remained at 25 percent from fiscal year 2011 to fiscal year 2012.

Table 4

	Program Expenses and Revenues for Governmental Activities For the Fiscal Year Ended September 30 (in thousands)					
	Program Expenses	Less Program Revenues	Net Program Expenses (a)		Program Revenues as a Percentage Program Expenses	
	2012	2012	2012	2011	2012	2011
General government	\$ 43,640	\$ 6,980	\$ 36,660	\$ 15,187	16 %	45 %
Public safety	91,374	25,513	65,861	74,159	28 %	25 %
Physical environment	18,770	8,876	9,894	9,766	47 %	25 %
Transportation	24,010	2,075	21,935	29,113	9 %	2 %
Economic environment	5,440	393	5,047	4,858	7 %	13 %
Human services	10,311	272	10,039	9,948	3 %	4 %
Culture and recreation	12,460	1,117	11,343	11,202	9 %	4 %
Judicial	12,498	9,969	2,529	5,436	80 %	67 %
Interest on long-term debt	3,377	0	3,377	3,773	N/A	N/A
*Total governmental activities	<u>\$ 221,880</u>	<u>\$ 55,195</u>	<u>\$ 166,685</u>	<u>\$ 163,442</u>	<u>25 %</u>	<u>25 %</u>

(a) Net Program Expenses are mainly supported by taxes.

**Differences from financial statements due to rounding*

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program expenses and revenues for business-type activities. Revenues were not sufficient to cover program expenses in FY 2012, because in FY 2012 the County chose to spend a portion of net assets to abate any fee increases. The County, in an effort to keep garbage fees level, chose to utilize a portion of its reserves to cover tipping fees. In addition to the program revenues for the landfill, the County has a non-ad valorem assessment for citizens residing outside the city limits of the City of Tallahassee.

Table 5

**Program Expenses and Revenues
for Business-type Activities
For the Fiscal Year Ended September 30
(in thousands)**

<u>County Programs</u>	<u>Program Expenses</u>	<u>Less Program Revenues</u>	<u>Net Program Expenses</u>		<u>Program Revenues as a Percentage Program Expenses</u>	
	2012	2012	2012	2011	2012	2011
Landfill	\$ 11,028	\$ 7,086	\$ 3,942	\$ 3,068	64 %	70 %

Overall Analysis

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

- The assets of the County exceeded its liabilities (net assets) at the close of fiscal year 2012 by \$410,310,410, as compared to \$412,933,367 for fiscal year 2011, for governmental activities. The assets for business-type activities exceeded its liabilities (net assets) at the close of fiscal year 2012 by \$19,457,891 as compared to \$20,222,804 for fiscal year 2011. Please see the Statement of Activities discussed previously for an explanation of the differences above.
- The County’s total net assets decreased by \$3,387,870 during fiscal year 2012, as compared to \$4,096,538 decrease in fiscal year 2011. Net assets of governmental activities decreased by \$2,622,957 in fiscal year 2012, as compared to a decrease of \$2,923,863 in 2011. Net assets of business-type activities decreased by \$764,913 in 2012, as compared to a decrease of \$1,172,675 in 2011. The decrease in 2011 related to the closing of one of the Proprietary Funds (Amtrak Fund). It was determined that the revenues in that fund were not sufficient to maintain it as an enterprise operation. Its assets were closed to the governmental funds and it will be supported in the future by tax revenues. The decrease in 2012 occurred because of the decision to support some of the expenses with net assets.

Fund Analysis

The following funds experienced significant changes during the year:

Governmental Funds

The County’s governmental funds reported a combined ending fund balance of \$162,404,628 for fiscal year 2012, as compared to \$165,085,107 for fiscal year 2011. This reduction is planned appropriated expenditures using Fund Balance in primarily the Capital Improvement Fund and the Local Option Sales Tax Fund.

General Fund

Fund balance at September 30, 2012 has increased to a total of \$36,311,583, as compared to \$23,208,670 for September 30, 2011. This increase is totally attributable to moving the unassigned fund balance in the Fine & Forfeiture Fund. This move correctly reflects GASB 54 requirements and also more clearly shows the available funds in the General Fund, clearly demonstrating the revenue levels in the General Fund.

General Fund (continued)

The General Fund of the Board of County Commission, as displayed on the Combining Balance Sheet, contains both Countywide General Revenue funds and the Non-Countywide General Revenue funds. The sole purpose of the Non-Countywide General Revenue funds is to capture discrete revenues and transfer those revenues to the various funds needing support (i.e. various Debt Service, Municipal Services, Growth Management, etc.) from unincorporated revenues. The Non-Countywide General Revenue funds do not contain any countywide property tax revenues. The actual year end fund balance for the Countywide General Revenue funds is \$32,260,401 for FY 2012 versus \$17,869,006 for FY 2011. The Non-Countywide fund balance is \$4,051,182 for FY 2012, versus \$5,339,664 for FY 2011.

Fine & Forfeiture Fund

Fund balance at September 30, 2012 totaled \$2,771,245, as compared to \$13,864,142 for September 30, 2011. This is an decrease of \$11,092,897 for the fiscal year and relates to moving unassigned fund balance to the General Fund. It should more clearly indentify available funds for rating purposes, etc.

Grants Fund

The fund balance at September 30, 2012 totaled \$1,766,367, as compared to the 2011 balance of \$1,791,191. This was a small decrease of \$24,824. Grant expenditures were completely offset by grant revenues plus the County transfers required for matching requirements.

Fire Rescue Services Fund

The Fire Rescue Services Fund accounts for the contractual services with the City of Tallahassee to provide fire services in the unincorporated area. Revenues are collected through a fire services fee charged to all unincorporated properties. The fees were developed by a consultant that determined the costs for providing fire services to the different types of properties. This is the second year that this fund is considered a major fund. The net change in fund balance is a decrease of \$385,870 with fund balance in FY 12 at \$461,994 from a fund balance in FY 11 of \$847,864.

Capital Improvement Fund

Fund balance at September 30, 2012 totaled \$44,952,099, as compared to \$45,905,556 for September 30, 2011. This was a decrease of \$953,457. This decrease can be attributed to the County's planned spending on various capital projects from appropriated fund balance that was set aside for these projects.

Local Option Sales Tax Fund

Fund balance at September 30, 2012 totaled \$24,487,497, as compared to \$26,154,707 for September 30, 2011. This was a decrease of \$1,667,210. This decrease can be attributed to the fact that the County was spending down fund balance on several projects. In the future, the Fund Balance will continue to decline as spending continues on projects and no more revenues will be received as this Sales Tax has expired.

Enterprise Funds

The County's proprietary funds reported net assets of \$19,457,891 for September 30, 2012, as compared to \$20,222,804 for September 30, 2011, which is a decrease of \$764,913. This decrease was caused by the closing of the Amtrak Station Fund to the General Fund. This reflects a planned use of net assets.

Budget Variances in the General Fund

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

Capital Asset and Long-term Debt Activity

Capital Asset Activity

The County reported \$333,746,313 in capital assets for governmental activities and \$12,885,785 in capital assets for business-type activities at September 30, 2012, versus \$333,346,323 for governmental and \$12,802,302 for business-type activities at fiscal year ending September 30, 2011. Please refer to Note VI in the Notes to the Financial Statements for additional information on capital assets and Note XIV in the Notes to the Financial Statements for additional information on construction commitments.

Debt Administration Activity

At September 30, 2012, the County had \$67,621,070 of outstanding bonded debt, as compared to \$73,262,830 at September 30, 2011. All of the County's debt is secured by specific general fund revenues, including sales tax, state revenue sharing, and specific other general fund revenues. The County has no general obligation bonds, which would be backed by the full faith and credit of the County. For more information on long-term debt activity, please see Note VIII on Long Term Obligations in the Notes to the Financial Statements.

Economic Factors

Leon County, like the rest of the country, continued to feel the effects of the economic downturn during FY 2012. The following information indicates that the economy has started to improve as we enter FY 2013:

- The estimated population in Leon County increased 0.5% from 275,487 to 276,278 during FY 2011/2012.
- Residential building permits issued in Leon County increased by 26.5 percent in 2012. The number of single-family home permits increased 5.6 percent, but attached single-family units (townhomes) permits decreased slightly by 36 units, while multi-family permits increased to 847 (53.2 percent).

Economic Factors (continued)

- The dollar value of commercial permits increased by 164 percent to \$91,948,763.
- Leon County has seen a small increase in vacancy rates for apartment rental units. Vacancies increased slightly from 7.5 percent in 2010 to 8.1 percent for 2011, the latest reported.

Request for Information

This financial report is designed to provide a general overview of Leon County Government's finances for all those with an interest in our government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Clerk of Circuit Court, Finance Department Leon County, P. O. Box 726, Tallahassee, Florida 32302. Requests can also be made telephonically at (850) 577-4020 or by fax at (850) 577-4255. We also suggest visiting our website at www.clerk.leon.fl.us for further financial information.

Leon County, Florida

Statement of Net Assets

September 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Assets				
Current assets:				
Cash	\$ 12,260,534	\$ 1,182	\$ 12,261,716	\$ 854,386
Investments	159,509,368	9,453,908	168,963,276	7,905
Receivables	12,336,169	1,248,970	13,585,139	34,538
Receivables from other governments	13,153,764	0	13,153,764	0
Inventory	660,889	11,143	672,032	0
Other assets	687,156	0	687,156	0
Total current assets	<u>198,607,880</u>	<u>10,715,203</u>	<u>209,323,083</u>	<u>896,829</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	0	7,126,955	7,126,955	0
Capital assets:				
Land and construction in progress, nondepreciable	83,932,176	1,809,844	85,742,020	0
Depreciable (net)	249,814,137	11,075,941	260,890,078	0
Total noncurrent assets	<u>333,746,313</u>	<u>20,012,740</u>	<u>353,759,053</u>	<u>0</u>
Total assets	<u>532,354,193</u>	<u>30,727,943</u>	<u>563,082,136</u>	<u>896,829</u>
Liabilities				
Current liabilities:				
Accounts payable	9,617,199	153,052	9,770,251	0
Payable to other governments	11,019,437	25	11,019,462	0
Internal balances	455,985	(455,985)	0	0
Accrued compensated absences	4,577,980	55,508	4,633,488	0
Unearned revenues	8,686,905	0	8,686,905	0
Bonds and notes payable	6,167,526	0	6,167,526	0
Other current liabilities	2,599,596	0	2,599,596	0
Total current liabilities	<u>43,124,628</u>	<u>(247,400)</u>	<u>42,877,228</u>	<u>0</u>
Noncurrent liabilities:				
Deposits	701,783	0	701,783	0
Estimated liability for landfill closure and postclosure care costs	0	11,327,787	11,327,787	0
Arbitrage rebate liability	25,000	0	25,000	0
Accrued compensated absences	9,905,103	116,779	10,021,882	0
Other postemployment benefits obligation	4,340,225	72,886	4,413,111	0
Bonds and notes payable	63,947,044	0	63,947,044	0
Total noncurrent liabilities	<u>78,919,155</u>	<u>11,517,452</u>	<u>90,436,607</u>	<u>0</u>
Total liabilities	<u>122,043,783</u>	<u>11,270,052</u>	<u>133,313,835</u>	<u>0</u>
Net assets				
Invested in capital assets, net of related debt	305,017,249	12,885,785	317,903,034	0
Unrestricted	105,293,161	6,572,106	111,865,267	896,829
Total net assets	<u>\$ 410,310,410</u>	<u>\$ 19,457,891</u>	<u>\$ 429,768,301</u>	<u>\$ 896,829</u>

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

Leon County, Florida

Statement of Activities

Year Ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operational Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 43,640,271	\$ 6,417,386	\$ 551,312	\$ 10,871
Public safety	91,374,062	22,204,171	3,151,592	157,244
Physical environment	18,769,696	882,309	1,723,109	6,270,850
Transportation	24,009,656	1,911,429	163,323	0
Economic environment	5,439,563	306,712	86,372	0
Human services	10,311,027	0	262,794	9,702
Culture and recreation	12,459,591	207,013	218,303	691,735
Judicial	12,497,520	3,221,417	6,747,860	0
Interest on long-term debt	3,377,190	0	0	0
Total governmental activities	<u>221,878,576</u>	<u>35,150,437</u>	<u>12,904,665</u>	<u>7,140,402</u>
Business-type activities:				
Landfill	11,028,089	7,086,116	0	0
Total business-type activities	<u>11,028,089</u>	<u>7,086,116</u>	<u>-</u>	<u>0</u>
Total primary government	<u>\$ 232,906,665</u>	<u>\$ 42,236,553</u>	<u>\$ 12,904,665</u>	<u>\$ 7,140,402</u>
Component Unit:				
Economic environment	25,465	33,490	0	0
Total component unit	<u>\$ 25,465</u>	<u>\$ 33,490</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

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

Net Revenue (Expense) and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	<u>Component Unit Housing Finance Authority</u>
\$ (36,660,702)	\$ 0	\$ (36,660,702)	\$ 0
(65,861,055)	0	(65,861,055)	0
(9,893,428)	0	(9,893,428)	0
(21,934,904)	0	(21,934,904)	0
(5,046,479)	0	(5,046,479)	0
(10,038,531)	0	(10,038,531)	0
(11,342,540)	0	(11,342,540)	0
(2,528,243)	0	(2,528,243)	0
(3,377,190)	0	(3,377,190)	0
<u>(166,683,072)</u>	<u>0</u>	<u>(166,683,072)</u>	<u>0</u>
<u>0</u>	<u>(3,941,973)</u>	<u>(3,941,973)</u>	<u>0</u>
<u>0</u>	<u>(3,941,973)</u>	<u>(3,941,973)</u>	<u>0</u>
<u>(166,683,072)</u>	<u>(3,941,973)</u>	<u>(170,625,045)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>8,025</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>8,025</u>
113,452,249	0	113,452,249	0
11,368,575	0	11,368,575	0
259,300	0	259,300	0
3,594,407	0	3,594,407	0
1,394,814	0	1,394,814	0
7,237,283	0	7,237,283	0
0	1,481,624	1,481,624	0
20,677,564	0	20,677,564	0
3,665,023	358,544	4,023,567	17,904
3,407,602	340,190	3,747,792	0
(996,702)	996,702	0	0
<u>164,060,115</u>	<u>3,177,060</u>	<u>167,237,175</u>	<u>17,904</u>
<u>(2,622,957)</u>	<u>(764,913)</u>	<u>(3,387,870)</u>	<u>25,929</u>
<u>412,933,367</u>	<u>20,222,804</u>	<u>433,156,171</u>	<u>870,900</u>
<u>\$ 410,310,410</u>	<u>\$ 19,457,891</u>	<u>\$ 429,768,301</u>	<u>\$ 896,829</u>

Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2012

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Assets				
Cash	\$ 5,267,300	\$ 186,970	\$ 141,285	\$ 0
Investments	36,855,212	1,637,419	3,222,685	2,324,706
Receivables:				
Accounts	86,917	26,605	19,058	4,067
Intergovernmental	1,325,142	4,303	7,793,751	0
Special assessments	0	0	0	5,746,845
Due from other funds	864,232	1,292,449	0	0
Inventory	580,869	0	0	0
Other assets	100	0	0	0
Total assets	<u>\$ 44,979,772</u>	<u>\$ 3,147,746</u>	<u>\$ 11,176,779</u>	<u>\$ 8,075,618</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 3,325,566	\$ 9,418	\$ 38,517	\$ 32,129
Accrued liabilities	2,813,790	0	3,498	0
Intergovernmental payables	109,866	0	3,272,369	7,581,495
Due to other funds	2,348,704	0	9,864	0
Deposits	70,263	367,083	0	0
Unearned revenues	0	0	6,086,164	0
Total liabilities	<u>8,668,189</u>	<u>376,501</u>	<u>9,410,412</u>	<u>7,613,624</u>
Fund balances:				
Nonspendable	623,986	0	0	0
Restricted	0	0	1,358,617	0
Committed	3,081,165	144,875	63,310	431,994
Assigned	7,859,210	2,626,370	344,440	30,000
Unassigned	24,747,222	0	0	0
Total fund balances	<u>36,311,583</u>	<u>2,771,245</u>	<u>1,766,367</u>	<u>461,994</u>
Total liabilities and fund balances	<u>\$ 44,979,772</u>	<u>\$ 3,147,746</u>	<u>\$ 11,176,779</u>	<u>\$ 8,075,618</u>

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

Capital Improvement Fund	Local Option Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 6,423,425	\$ 12,018,980
46,172,534	24,793,745	39,653,804	154,660,105
89,640	43,946	3,897,472	4,167,705
0	0	4,008,220	13,131,416
0	0	2,385,597	8,132,442
0	0	104,040	2,260,721
0	0	1,467	582,336
0	0	22,432	22,532
<u>\$ 46,262,174</u>	<u>\$ 24,837,691</u>	<u>\$ 56,496,457</u>	<u>\$ 194,976,237</u>
\$ 1,160,150	\$ 350,194	\$ 1,221,780	\$ 6,137,754
0	0	369,385	3,186,673
0	0	55,707	11,019,437
0	0	480,488	2,839,056
149,925	0	114,512	701,783
0	0	2,600,742	8,686,906
<u>1,310,075</u>	<u>350,194</u>	<u>4,842,614</u>	<u>32,571,609</u>
7,801	0	3,803,292	4,435,079
1,285,822	0	11,061,719	13,706,158
11,300,210	538,064	11,314,307	26,873,925
32,358,266	23,949,433	26,830,183	93,997,902
0	0	(1,355,658)	23,391,564
<u>44,952,099</u>	<u>24,487,497</u>	<u>51,653,843</u>	<u>162,404,628</u>
<u>\$ 46,262,174</u>	<u>\$ 24,837,691</u>	<u>\$ 56,496,457</u>	<u>\$ 194,976,237</u>

Leon County, Florida

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

September 30, 2012

Total fund balances of governmental funds		\$ 162,404,628
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.		
Governmental capital assets	620,997,687	
Less accumulated depreciation	<u>(287,251,374)</u>	333,746,313
Other assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.		
Bond costs	1,465,800	
Less current year amortization	<u>(185,103)</u>	1,280,697
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Governmental bonds and notes payable	(70,114,570)	
Discount/(Premium)	(663,462)	
Current year amortization	47,390	
Compensated absences	(13,904,747)	
Other postemployment benefits	(4,308,395)	
Arbitrage rebate liability	<u>(25,000)</u>	(88,968,784)
Internal service funds are used by management to charge the costs of gasoline, vehicle repair, risk management, and telephone services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		
		1,847,556
Total net assets of governmental activities		<u><u>\$ 410,310,410</u></u>

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

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Leon County, Florida

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

Year Ended September 30, 2012

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Revenues				
Taxes	\$ 48,853,449	\$ 60,761,807	\$ 0	\$ 0
Licenses and permits	0	0	0	0
Intergovernmental	16,949,569	25,674	9,368,258	0
Charges for services	7,742,733	800,536	120,968	7,741,933
Fines and forfeitures	0	98,849	0	0
Interest	667,070	348,603	57,245	44,420
Miscellaneous	664,915	0	14,001	0
Total revenues	<u>74,877,736</u>	<u>62,035,469</u>	<u>9,560,472</u>	<u>7,786,353</u>
Expenditures				
Current:				
General government	32,434,017	0	10,870	0
Public safety	58,101,981	0	1,526,182	8,120,168
Physical environment	2,267,653	0	6,294,555	0
Transportation	0	0	6,890	0
Economic environment	2,014,864	0	162,393	0
Human services	7,296,399	100,000	921,628	0
Culture and recreation	6,318,922	0	739,337	0
Judicial	3,447,309	1,337,536	51,293	0
Debt service:				
Principal retirement	0	0	0	0
Interest and fiscal charges	0	0	0	0
Other debt service costs	0	0	0	0
Total expenditures	<u>111,881,145</u>	<u>1,437,536</u>	<u>9,713,148</u>	<u>8,120,168</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,003,409)</u>	<u>60,597,933</u>	<u>(152,676)</u>	<u>(333,815)</u>
Other financing sources (uses)				
Transfers in	73,614,841	1,690,371	253,174	0
Transfers out	<u>(23,508,519)</u>	<u>(73,381,201)</u>	<u>(125,322)</u>	<u>(52,055)</u>
Total other financing sources (uses)	<u>50,106,322</u>	<u>(71,690,830)</u>	<u>127,852</u>	<u>(52,055)</u>
Net change in fund balances	13,102,913	(11,092,897)	(24,824)	(385,870)
Fund balances, October 1	23,208,670	13,864,142	1,791,191	847,864
Fund balances, September 30	<u>\$ 36,311,583</u>	<u>\$ 2,771,245</u>	<u>\$ 1,766,367</u>	<u>\$ 461,994</u>

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

Capital Improvement Fund	Local Option Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 27,703,429	\$ 137,318,685
0	0	1,950,325	1,950,325
313,676	0	14,065,457	40,722,634
0	0	16,419,305	32,825,475
0	0	618,373	717,222
835,274	505,939	1,055,308	3,513,859
39,030	0	2,689,657	3,407,603
<u>1,187,980</u>	<u>505,939</u>	<u>64,501,854</u>	<u>220,455,803</u>
2,660,238	0	2,361,580	37,466,705
8,219,437	0	22,820,516	98,788,284
1,233,577	0	8,959,790	18,755,575
1,650,878	2,173,149	16,042,583	19,873,500
0	0	3,244,254	5,421,511
177,255	0	1,626,642	10,121,924
3,908,344	0	4,196,340	15,162,943
245,954	0	7,703,113	12,785,205
0	0	6,018,960	6,018,960
0	0	3,237,861	3,237,861
0	0	1,617	1,617
<u>18,095,683</u>	<u>2,173,149</u>	<u>76,213,256</u>	<u>227,634,085</u>
<u>(16,907,703)</u>	<u>(1,667,210)</u>	<u>(11,711,402)</u>	<u>(7,178,282)</u>
15,954,246	0	27,257,583	118,770,215
0	0	(17,205,315)	(114,272,412)
<u>15,954,246</u>	<u>0</u>	<u>10,052,268</u>	<u>4,497,803</u>
(953,457)	(1,667,210)	(1,659,134)	(2,680,479)
<u>45,905,556</u>	<u>26,154,707</u>	<u>53,312,977</u>	<u>165,085,107</u>
<u>\$ 44,952,099</u>	<u>\$ 24,487,497</u>	<u>\$ 51,653,843</u>	<u>\$ 162,404,628</u>

Leon County, Florida

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

Year Ended September 30, 2012

Net change in fund balances - total governmental funds		\$	(2,680,479)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Expenditures for capital assets	19,380,683		
Less current year depreciation	<u>(18,980,688)</u>		399,995
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities.			
Principal payments			6,018,960
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.			
Amortization of current year bond discount/premium	47,390		
Amortization of current year bond costs	(44,401)		
Amortization of current year deferred charge on refunding	(140,705)		
Change in other postemployment benefits	(893,818)		
Change in long-term compensated absence	<u>(66,230)</u>		(1,097,764)
Internal service funds are used by management to charge the costs of gasoline, vehicle repair, risk management, and telephone services to individual funds. The net loss of the internal service funds was reported with governmental activities (a gain of \$34,068 was included with business-type activities).			
			<u>(5,263,669)</u>
Change in net assets of governmental activities		\$	<u><u>(2,622,957)</u></u>

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

Leon County, Florida

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

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 47,895,736	\$ 47,895,736	\$ 48,853,449	\$ 957,713
Intergovernmental	16,425,937	16,455,949	16,949,569	493,620
Charges for services	11,162,044	11,487,742	7,742,733	(3,745,009)
Interest	332,410	332,410	667,070	334,660
Miscellaneous	360,331	265,512	664,915	399,403
Total revenues	<u>76,176,458</u>	<u>76,437,349</u>	<u>74,877,736</u>	<u>(1,559,613)</u>
Expenditures				
Current:				
General government	34,352,918	37,574,104	32,434,017	5,140,087
Public safety	58,138,590	58,290,649	58,101,981	188,668
Physical environment	2,337,597	2,361,772	2,267,653	94,119
Economic environment	2,203,173	2,243,173	2,014,864	228,309
Human services	7,634,442	8,109,525	7,296,399	813,126
Culture and recreation	6,931,871	6,858,006	6,318,922	539,084
Judicial	3,772,896	3,784,446	3,447,309	337,137
Total expenditures	<u>115,371,487</u>	<u>119,221,675</u>	<u>111,881,145</u>	<u>7,340,530</u>
Excess (deficiency) of revenues over (under) expenditure	<u>(39,195,029)</u>	<u>(42,784,326)</u>	<u>(37,003,409)</u>	<u>5,780,917</u>
Other financing sources (uses)				
Transfers in	74,351,848	87,726,902	73,614,841	(14,112,061)
Transfers out	<u>(38,206,819)</u>	<u>(54,202,713)</u>	<u>(23,508,519)</u>	<u>30,694,194</u>
Total other financing sources (uses)	<u>36,145,029</u>	<u>33,524,189</u>	<u>50,106,322</u>	<u>16,582,133</u>
Net change in fund balances	(3,050,000)	(9,260,137)	13,102,913	22,363,050
Fund balances, October 1	<u>23,208,670</u>	<u>23,208,670</u>	<u>23,208,670</u>	<u>0</u>
Fund balances, September 30	<u>\$ 20,158,670</u>	<u>\$ 13,948,533</u>	<u>\$ 36,311,583</u>	<u>\$ 22,363,050</u>

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

Leon County, Florida

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

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 60,695,579	\$ 60,695,579	\$ 60,761,807	\$ 66,228
Intergovernmental	17,100	17,100	25,674	8,574
Charges for services	1,201,550	1,201,550	800,536	(401,014)
Fines and forfeitures	86,450	86,450	98,849	12,399
Interest	279,015	279,015	348,603	69,588
Total revenues	<u>62,279,694</u>	<u>62,279,694</u>	<u>62,035,469</u>	<u>(244,225)</u>
Expenditures				
Human services	100,000	300,000	100,000	200,000
Judicial	<u>2,477,672</u>	<u>2,577,672</u>	<u>1,337,536</u>	<u>1,240,136</u>
Total expenditures	<u>2,577,672</u>	<u>2,877,672</u>	<u>1,437,536</u>	<u>1,440,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,702,022</u>	<u>59,402,022</u>	<u>60,597,933</u>	<u>1,195,911</u>
Other financing sources (uses)				
Transfers in	95,386	95,386	1,690,371	1,594,985
Transfers out	<u>(59,797,408)</u>	<u>(73,047,408)</u>	<u>(73,381,201)</u>	<u>(333,793)</u>
Total other financing sources (uses)	<u>(59,702,022)</u>	<u>(72,952,022)</u>	<u>(71,690,830)</u>	<u>1,261,192</u>
Net change in fund balances	0	(13,550,000)	(11,092,897)	2,457,103
Fund balances, October 1	<u>13,864,142</u>	<u>13,864,142</u>	<u>13,864,142</u>	<u>0</u>
Fund balances, September 30	<u>\$ 13,864,142</u>	<u>\$ 314,142</u>	<u>\$ 2,771,245</u>	<u>\$ 2,457,103</u>

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

Leon County, Florida

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

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 311,833	\$ 22,254,275	\$ 9,368,258	\$(12,886,017)
Charges for services	122,075	307,830	120,968	(186,862)
Interest	0	1,703	57,245	55,542
Miscellaneous	0	1,999,092	14,001	(1,985,091)
Total revenues	<u>433,908</u>	<u>24,562,900</u>	<u>9,560,472</u>	<u>(15,002,428)</u>
Expenditures				
General government	0	157,099	10,870	146,229
Public safety	585,942	4,829,034	1,526,182	3,302,852
Physical environment	0	12,713,322	6,294,555	6,418,767
Transportation	0	1,897,879	6,890	1,890,989
Economic environment	0	300,176	162,393	137,783
Human services	0	1,413,008	921,628	491,380
Culture and recreation	15,000	3,770,948	739,337	3,031,611
Judicial	2,479	109,159	51,293	57,866
Total expenditures	<u>603,421</u>	<u>25,190,625</u>	<u>9,713,148</u>	<u>15,477,477</u>
Excess (deficiency) of revenue (under) over expenditures	<u>(169,513)</u>	<u>(627,725)</u>	<u>(152,676)</u>	<u>475,049</u>
Other financing sources (uses)				
Transfers in	259,513	391,532	253,174	(138,358)
Transfers out	<u>(90,000)</u>	<u>(202,525)</u>	<u>(125,322)</u>	<u>77,203</u>
Total other financing sources (uses)	<u>169,513</u>	<u>189,007</u>	<u>127,852</u>	<u>(61,155)</u>
Net change in fund balances	0	(438,718)	(24,824)	413,894
Fund balances, October 1	<u>1,791,191</u>	<u>1,791,191</u>	<u>1,791,191</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,791,191</u>	<u>\$ 1,352,473</u>	<u>\$ 1,766,367</u>	<u>\$ 413,894</u>

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

Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Fire Rescue Services Fund

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 54,434	\$ 54,434	\$ 0	\$ 54,434
Charges for services	6,557,315	6,557,315	7,741,933	1,184,618
Interest	0	0	44,420	44,420
Total revenues	<u>6,611,749</u>	<u>6,611,749</u>	<u>7,786,353</u>	<u>1,283,472</u>
Expenditures				
Public safety	<u>6,903,981</u>	<u>7,250,200</u>	<u>8,120,168</u>	<u>(869,968)</u>
Total expenditures	<u>6,903,981</u>	<u>7,250,200</u>	<u>8,120,168</u>	<u>(869,968)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(292,232)</u>	<u>(638,451)</u>	<u>(333,815)</u>	<u>413,504</u>
Other financing sources (uses)				
Transfers out	<u>(33,080)</u>	<u>(58,080)</u>	<u>(52,055)</u>	<u>6,025</u>
Total other financing sources (uses)	<u>(33,080)</u>	<u>(58,080)</u>	<u>(52,055)</u>	<u>6,025</u>
Net change in fund balances	(325,312)	(696,531)	(385,870)	419,529
Fund balances, October 1	<u>847,864</u>	<u>847,864</u>	<u>847,864</u>	<u>0</u>
Fund balances, September 30	<u>\$ 522,552</u>	<u>\$ 151,333</u>	<u>\$ 461,994</u>	<u>\$ 419,529</u>

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

Leon County, Florida

Statement of Net Assets
Proprietary Funds

September 30, 2012

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash	\$ 1,182	\$ 201,845
Cash with fiscal agent	0	39,708
Investments	9,453,908	4,849,261
Receivables:		
Accounts	1,248,970	36,022
Intergovernmental	0	22,350
Due from other funds	0	578,335
Inventory	11,143	78,553
Total current assets	<u>10,715,203</u>	<u>5,806,074</u>
Noncurrent assets:		
Restricted cash and investments	7,126,955	0
Capital assets:		
Land nondepreciable	1,809,844	0
Depreciable (net)	11,075,941	0
Total noncurrent assets	<u>20,012,740</u>	<u>0</u>
Total assets	<u>30,727,943</u>	<u>5,806,074</u>
Liabilities		
Current liabilities:		
Accounts payable	130,329	285,652
Accrued liabilities	95,608	617,285
Intergovernmental payables	25	0
Compensated absences	55,508	0
Other current liabilities	0	2,599,596
Total current liabilities	<u>281,470</u>	<u>3,502,533</u>
Noncurrent liabilities:		
Compensated absences	116,779	0
Liability for closure costs/maintenance	11,327,787	0
Total noncurrent liabilities	<u>11,444,566</u>	<u>0</u>
Total liabilities	<u>11,726,036</u>	<u>3,502,533</u>
Net assets		
Net assets, invested in capital assets	12,885,785	0
Unrestricted	6,116,122	2,303,541
Total net assets	19,001,907	<u>\$ 2,303,541</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	455,984	
Net assets of business-type activities	<u>\$ 19,457,891</u>	

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

Leon County, Florida

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

Year Ended September 30, 2012

	Business-type Activities- Landfill Fund	Governmental Activities- Internal Service Funds
Operating revenues		
Charges for services	\$ 7,052,049	\$ 5,632,808
Total operating revenues	<u>7,052,049</u>	<u>5,632,808</u>
Operating expenses		
Personnel services	2,153,535	650,825
Contractual services	5,422,546	119,097
Supplies	438,232	1,581,442
Communications services	23,418	471,392
Insurance	40,692	2,046,158
Utility services	304,845	20,496
Depreciation	483,546	0
Other services and charges	2,161,275	629,661
Total operating expenses	<u>11,028,089</u>	<u>5,519,071</u>
Operating income (loss)	<u>(3,976,040)</u>	<u>113,737</u>
Nonoperating revenues		
Taxes	1,481,624	0
Interest	358,544	151,167
Miscellaneous	340,190	0
Total nonoperating revenues	<u>2,180,358</u>	<u>151,167</u>
Income (loss) before transfers	(1,795,682)	264,904
Transfers in	1,026,334	0
Transfers out	<u>(29,632)</u>	<u>(5,494,505)</u>
* Change in net assets	(798,980)	(5,229,601)
Net assets, October 1	<u>19,800,887</u>	<u>7,533,142</u>
Net assets, September 30	<u>\$ 19,001,907</u>	<u>\$ 2,303,541</u>
* Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>34,068</u>	
Change in net assets of business-type activities	<u>\$ (764,912)</u>	

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

Leon County, Florida

Statement of Cash Flows
Proprietary Funds

September 30, 2012

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 6,661,949	\$ 357,241
Payments to suppliers	(8,644,419)	(4,291,372)
Payments to employees	(2,142,960)	(638,667)
Claims paid	0	(765,000)
Payment for interfund services	(40,692)	5,233,599
Net cash used in operating activities	<u>(4,166,122)</u>	<u>(104,199)</u>
Cash flows from noncapital financing activities		
Tax proceeds	1,481,624	0
Transfers from other funds	1,026,334	0
Transfers to other funds	(29,632)	(5,494,505)
Net cash provided by (used in) noncapital financing activities	<u>2,478,326</u>	<u>(5,494,505)</u>
Cash flows from capital and related financing activities		
Sale of property	1,083,938	0
Acquisition and/or construction of capital assets	(1,310,766)	0
Net cash used in capital and related financing activities	<u>(226,828)</u>	<u>0</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	6,106,573	7,159,406
Purchases of investments	(4,338,668)	(1,513,292)
Interest and dividends received	146,484	117,468
Net cash provided by investing activities	<u>1,914,389</u>	<u>5,763,582</u>
Net decrease (increase) in cash	(235)	164,878
Cash and equivalents, October 1	1,417	76,675
Cash and equivalents, September 30	<u>\$ 1,182</u>	<u>\$ 241,553</u>

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

Leon County, Florida
Statement of Cash Flows
Proprietary Funds

September 30, 2012

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Reconciliation of operating (loss) income to net cash used in operating activities		
Operating (loss) income	\$ (3,976,040)	\$ 113,737
Adjustments to reconcile operating (loss) income to net cash used in operating activities:		
Depreciation expense	483,546	0
Change in assets and liabilities:		
Receivables	(612,213)	(41,971)
Inventories	(2,895)	2,660
Accounts payable	(291,208)	193,153
Accrued expenses	10,575	626
Other current liabilities	0	(372,404)
Estimated liability for closure	222,113	0
Net cash used in operating activities	\$ (4,166,122)	\$ (104,199)

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

Leon County, Florida
Statement of Fiduciary Net Assets
Agency Funds

September 30, 2012

	<u>Total Agency Funds</u>
Assets	
Cash	\$ 7,553,693
Investments	836,329
Accounts receivable	1,072,124
Intergovernmental receivables	16,374
Total assets	<u><u>\$ 9,478,520</u></u>
Liabilities	
Accounts payable	\$ 2,075,201
Intergovernmental payables	3,041,979
Deposits	2,658,765
Installment tax deposits	1,702,575
Total liabilities	<u><u>\$ 9,478,520</u></u>

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

LEON COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Component Units

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

Specific criteria used to determine financial accountability are:

- Selection of a voting majority of the governing body.
- Imposition of will: Ability to remove appointed members at will; ability to approve or modify charges affecting revenue; ability to appoint, hire or dismiss management.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

- Financial benefit or burden relationship: The County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the obligation to finance the deficits of or provide support to the organization; or the County is obligated in some manner for the debt of the organization.
- Fiscal dependency: Ability to approve or modify the organization's budget or rate charges and ability to approve debt issuances and/or tax levies.

Financial statements of component units would be 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. At September 30, 2012, the only component unit of the County is The Housing Finance Authority of Leon County (the Authority) and is presented in a separate column on the County's financial statements.

The Authority was created as a Florida public corporation in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, *Florida Statutes* (1979), following the adoption of an approving ordinance (#80-39) by the Board of County Commissioners of Leon County, Florida. The Authority is a Dependent Special District as defined in Section 189.4041, *Florida Statutes*.

The Authority's governing board is appointed by the Board of County Commissioners; the budget is approved by the County; all bonds issued and contracts entered into must be approved by the County; the County may, at its sole discretion, and at anytime, alter or change the structure, organization, programs or activities of the Authority, including the power to terminate the Authority; and the County maintains the books and records of the Authority. This unit is reported in a separate column to emphasize that it is legally separate from the County. Separate financial information for the Authority is available in the Finance Department currently housed in the Bank of America Building, commonly known as the BOA Building, 315 South Calhoun Street, Suite 450, Tallahassee, Florida 32301.

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.

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Leon County District School Board
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.

B. Measurement Focus and Basis of Accounting

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

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

Government-wide Financial Statements

Government-wide financial statements (the Statement of Net Assets and Statement of Activities) provide financial information about Leon County government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component unit and provide for a consolidated financial picture of the government. The Statement of Net Assets reports all financial and capital resources of Leon County's governmental and business-type activities. The Statement of Activities reports functional categories of programs provided by the County and demonstrate how and to what degree those programs are supported by specific revenue. As part of the consolidation process, the effect of interfund activity has been removed from these statements to avoid distorted financial results. Any interfund services provided and used are not eliminated during this process, but reassigned to governmental activities. Any amounts reported as interfund balances represent the residual amounts due between governmental and business-type activities. Fiduciary funds of the government are also removed from this presentation since the resources are not available for general government funding purposes due to the fact that agency funds do not have a measurement focus. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely, to a significant extent, on fees and charges for support.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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

Fund Financial Statements

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

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

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the County receives cash.

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

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

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds

The County’s enterprise funds and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting.

Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. For the enterprise funds, as permitted by GASB Statement No. 20, the County has elected not to apply all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or after November 30, 1989.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Presentation

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

Governmental Major Funds:

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

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

Fine & Forfeiture — This fund was established to account for and report the proceeds of specific revenues collected pursuant to the provisions of Section 142.01, *Florida Statutes*. It also accounts for and reports expenditures restricted or committed 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 — This fund is used to account for and report the proceeds of revenues that are restricted or committed to expenditures of federal, state and local grants awarded to the County. This fund also includes the corresponding County matching funds for the various grants.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fire Rescue Services — This fund was established to fund enhanced fire protection services in the unincorporated area of Leon County. The main revenue source is derived from a fire service fee levied on single-family, commercial, and governmental properties in the unincorporated area of the County. It also assists with funding for volunteer fire departments. By inter-local agreement, the fire rescue and emergency management services are functionally consolidated under the City of Tallahassee and County.

Capital Improvement — This fund is used to account for and report the financial resources restricted, committed, or assigned to the expenditures for the acquisition or construction of major non-transportation related capital facilities and/or projects other than those financed by proprietary funds.

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

Proprietary Major Fund:

Landfill — This fund accounts for the revenues, expenses, assets, and liabilities associated with the County landfill and transfer station.

Note: The determination of which funds are major funds will vary from year to year because the determination is made using the calculation requirements established in GASB 34.

Other Fund Types:

Internal Service Funds — Internal Service Funds account for fleet management, communications, and self insurance services provided to other departments of the County on a cost reimbursement basis, as well as to report the funded and accrued compensated absences for the Clerk only.

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Noncurrent Governmental Assets/Liabilities

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

D. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

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

Investments

Investments for the County are reported at fair value, in accordance with GASB Statement No. 31. In addition to reporting investments at fair value, the County is reporting investments in accordance with the requirements of GASB 40.

Receivables and Payables

Receivables are shown net of an allowance for uncollectibles. The emergency medical services allowance is equal to 41% of outstanding gross charges at September 30, 2012.

Inventories and Prepaid Items

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets (continued)

Restricted Assets

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

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. Infrastructure assets are defined as public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the government unit. All qualified infrastructure assets have been capitalized and included in the 2012 financial statements. Capital assets are reported in the government-wide financial statements in the applicable governmental or business-type activities column, as well as the proprietary fund financial statements. Capital assets are defined by Section 274.02, *Florida Statutes*, to include items of a nonconsumable nature with a value of at least \$1,000 and a life of one year or more. The County maintains an administrative record of these assets. However, for reporting purposes, the threshold for capitalizing property, plant, and equipment is \$20,000, buildings \$50,000 and infrastructure is \$100,000. Capital assets are recorded at cost or estimated historical cost. Contributed assets are recorded at estimated fair market value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

The ranges of useful lives are as follows:

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets (continued)

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

Capitalization of Interest

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

Unearned Revenues

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

Landfill Closure Costs

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

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

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

Accrued Compensated Absences

The County accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The noncurrent portion is the amount estimated to

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets (continued)

be used in subsequent fiscal years. Both the current and noncurrent estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and the government-wide presentations.

Although the Clerk is not legally required to accumulate expendable available financial resources to liquidate this obligation, funding for the Court side of the Clerk's budget has been reduced each year since 2009. Due to the uncertainty of the Clerk's funding, an internal service fund has been established to record compensated absences earned but not paid for both the court and non-court functions.

Net Obligation for Other Postemployment Benefits

The County offers retiree medical and life insurance benefits for qualifying employees that have retired from the Florida Retirement System (FRS) pension plan. Following the provisions of GASB Statement No. 45, a net obligation is accrued as a noncurrent liability and is a reconciling item between the fund and the government-wide presentations.

Obligation for Bond Arbitrage Rebate

Pursuant to Section 148(f) of the U.S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. The County uses the "revenue reduction" approach in accounting for rebatable arbitrage, which treats excess earnings as a reduction of revenue. The County has recorded an arbitrage liability outstanding as of September 30, 2012.

Due to/from Other Funds

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

Net Assets/Fund Balances

Net Assets is the difference between fund assets and liabilities on the government-wide, proprietary, and fiduciary fund statements. Fund Balances is the difference between assets and liabilities on the governmental fund statements.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets (continued)

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt resulting from the acquisition, construction, or improvement of the assets.

Restricted Net Assets are the portion of the net assets that are constrained externally by parties such as creditors, by grantors, legally through constitutional provisions, or by some type of enabling legislation. Restricted Net Assets are calculated at the fund level.

In order to implement GASB 54, a County financial policy was written to define the different fund balance classifications for governmental funds and the order that the resources are used. There are five classifications of fund balance for governmental funds.

Nonspendable Fund Balance - Balances are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Balances are comprised of funds that have legally enforceable constraints placed on their use or those funds that have externally-imposed restrictions by resource providers or creditors, grantors, contributors, voters, or interlocal agreement, or enabling legislation.

Committed Fund Balance - Balances are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action such as ordinances, resolutions, or legislation of Leon County and that remain binding unless removed by a majority vote of the Board of County Commissioners.

Assigned Fund Balance - Balances are comprised of unrestricted funds informally constrained by a majority vote of the Board of County Commissioners, or by a designated county officer, in a manner that reflects the County's use of those resources such as appropriations of fund balance at year end or at the beginning of the new fiscal year.

Unassigned Fund Balance - Balances are comprised of the residual of the unrestricted funds in the General Fund and are not nonspendable, restricted, committed, or assigned. Other fund types can only report a negative unassigned residual amount.

The County's policy is that available resources will be spent in the following order: restricted, committed, assigned, and unassigned.

Reserves/Designations of Net Assets

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

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

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

“Total fund balances” of the County’s governmental funds of \$162,404,628 differs from “net assets” of governmental activities of \$410,310,410 reported in the statement of net assets. This difference results primarily from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Capital Related Items

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

Cost of capital assets	\$ 620,997,687
Accumulated depreciation	(287,251,374)
Net capital assets added	<u>\$ 333,746,313</u>

Long-term Debt Transactions

Long-term liabilities applicable to the County’s governmental activities are not due and payable in the current period and accordingly are not reported as current fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2012 were:

Capital Improvement Revenue Refunding Bonds	
Series 2005	\$ 44,505,000
Capital Improvement Revenue Bonds, Series 2003A	7,965,000
Taxable Capital Improvement Revenue Bonds,	
Series 2003B	12,465,000
Capital Improvement Refunding Revenue Bonds,	
Series 2011	2,686,070
Note payable	2,493,500
Other postemployment benefits	4,308,395
Liability for compensated absences	13,904,747
Arbitrage rebate liability	25,000
	<u>\$ 88,352,712</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

**Note II. RECONCILIATION OF GOVERNMENT- WIDE AND FUND FINANCIAL STATEMENTS
(continued)**

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

Internal Service Funds

Management uses internal service funds to charge the cost of fleet management and insurance activities to the individual funds benefited, as well as to report the funded and accrued compensated absences for the Clerk only. Because internal service funds primarily serve governmental activities of the County, the assets and liabilities of those funds are included in the governmental activities for government-wide reporting purposes. The total amount of internal service fund assets, net of liabilities, included with governmental activities on the September 30, 2012, statement of net assets is \$1,847,556.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

**Note II. RECONCILIATION OF GOVERNMENT- WIDE AND FUND FINANCIAL STATEMENTS
(continued)**

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

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions
Assets			
Equity in pooled cash and equivalents	\$ 12,018,980	\$ 0	\$ 0
Investments	154,660,105	0	0
Receivables (net)	25,431,563	0	0
Due from other funds	2,260,721	0	0
Inventories	582,336	0	0
Other assets	22,532	0	664,624
Capital assets (net)	0	333,746,313	0
Total assets	<u>\$ 194,976,237</u>	<u>\$ 333,746,313</u>	<u>\$ 664,624</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 6,137,754	\$ 0	\$ 0
Accrued liabilities	3,186,673	0	0
Intergovernmental payables	11,019,437	0	0
Internal balance	0	0	0
Estimated liability for self-insurance loss	0	0	0
Due to other funds	2,839,056	0	(1)
Deposits	701,783	0	0
Arbitrage rebate	0	0	25,000
Unearned revenue	8,686,906	0	0
Other postemployment benefits	0	0	4,308,394
Accrued compensated balances	0	0	13,904,747
Bond and notes payable (net)	0	0	70,114,571
Total liabilities	<u>32,571,609</u>	<u>0</u>	<u>88,352,711</u>
Fund balances/net assets	<u>162,404,628</u>	<u>333,746,313</u>	<u>(87,688,087)</u>
Total liabilities and fund balances/net assets	<u>\$ 194,976,237</u>	<u>\$ 333,746,313</u>	<u>\$ 664,624</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

**Note II. RECONCILIATION OF GOVERNMENT- WIDE AND FUND FINANCIAL STATEMENTS
(continued)**

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

Internal Service Funds	Reclassifications & Eliminations	Statement of Net Assets
\$ 241,553	\$ 1	\$ 12,260,534
4,849,261	2	159,509,368
58,372	(2)	25,489,933
578,335	(2,839,056)	0
78,553	0	660,889
0	0	687,156
0	0	333,746,313
<u>\$ 5,806,074</u>	<u>\$ (2,839,055)</u>	<u>\$ 532,354,193</u>

\$ 285,652	\$ 3,193,793	\$ 9,617,199
7,119	(3,193,792)	0
0	0	11,019,437
455,985	0	455,985
2,599,596	0	2,599,596
0	(2,839,055)	0
0	0	701,783
0	0	25,000
0	(1)	8,686,905
31,831	0	4,340,225
578,335	0	14,483,082
0	0	70,114,571
<u>3,958,518</u>	<u>(2,839,055)</u>	<u>122,043,783</u>
<u>1,847,556</u>	<u>0</u>	<u>410,310,410</u>
<u>\$ 5,806,074</u>	<u>\$ (2,839,055)</u>	<u>\$ 532,354,193</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note II. RECONCILIATION OF GOVERNMENT- WIDE AND FUND FINANCIAL STATEMENTS (continued)

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

The “net change in fund balances” for governmental funds of (\$2,680,479) differs from the “change in net assets” for governmental activities of (\$2,622,957), reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities, versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Related Items

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

Capital outlay	\$ 19,380,682
Depreciation expense	<u>(18,980,689)</u>
Net	<u>\$ 399,993</u>

Long-term Debt Transactions

In the Statement of Activities, debt and capital lease proceeds increase long-term liabilities. However, in the governmental funds, debt and capital lease proceeds are treated as other financing sources since they provide current financial resources to governmental funds.

Repayments of bond principal and capital lease principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities.

Principal payments	<u>\$ 6,018,960</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

**Note II. RECONCILIATION OF GOVERNMENT- WIDE AND FUND FINANCIAL STATEMENTS
(continued)**

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

Amortization of current year bond discount/premium	\$	47,390
Amortization of current year bond costs		(44,401)
Amortization of current year deferred charge on refunding		(140,705)
Net increase in compensated absences		(66,230)
Net decrease in other postemployment benefits		(893,818)
	\$	<u>(1,097,764)</u>

Internal Service Funds Aggregate Loss

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

Internal service funds aggregate loss on governmental activities	\$	<u>(5,263,669)</u>
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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

**Note II. RECONCILIATION OF GOVERNMENT- WIDE AND FUND FINANCIAL STATEMENTS
(continued)**

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

		Total Governmental Funds	Capital Related Items
Revenues	Taxes	\$ 137,318,685	\$ 0
	Licenses and permits	1,950,325	0
	Intergovernmental	40,722,634	0
	Charges for services	32,825,475	0
	Fines and forfeitures	717,222	0
	Interest	3,513,859	0
	Miscellaneous	3,407,603	0
Total revenues		<u>220,455,803</u>	<u>0</u>
Expenditures	Current		
	General government	37,466,705	5,788,507
	Public safety	98,788,284	(7,625,987)
	Physical environment	18,755,575	(48,929)
	Transportation	19,873,500	4,120,192
	Economic environment	5,421,511	0
	Human services	10,121,924	189,747
	Culture and recreation	15,162,943	(2,823,523)
	Judicial	12,785,205	0
Debt service	Principal	6,018,960	0
	Interest and fiscal charges	3,237,861	0
	Other debt service costs	1,617	0
Total expenditures		<u>227,634,085</u>	<u>(399,993)</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(7,178,282)</u>	<u>399,993</u>
Other financing sources (uses)	Transfers in	118,770,215	0
	Transfers out	(114,272,412)	0
Total other financing sources (uses)		<u>4,497,803</u>	<u>0</u>
Net change in fund balance		<u>(2,680,479)</u>	<u>399,993</u>
Fund balances, October 1		<u>165,085,107</u>	
Fund balances, September 30		<u>\$ 162,404,628</u>	

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

**Note II. RECONCILIATION OF GOVERNMENT- WIDE AND FUND FINANCIAL STATEMENTS
(continued)**

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

Long-Term Debt Transactions	Compensated Absences	Other Postemployment Benefits	Internal Service Funds	Reclassifications and Eliminations	Statement of Activities
\$ 0	\$ 0	\$ 0	\$ 0	\$ (12,057)	\$ 137,306,628
0	0	0	0	0	1,950,325
0	0	0	0	0	40,722,634
0	0	0	0	(342,588)	32,482,887
0	0	0	0	0	717,222
0	0	0	151,167	(3)	3,665,023
0	0	0	0	(1)	3,407,602
<u>0</u>	<u>0</u>	<u>0</u>	<u>151,167</u>	<u>(354,649)</u>	<u>220,252,321</u>
0	22,223	229,103	147,211	(13,478)	43,640,271
0	414,641	398,636	(273,536)	(327,976)	91,374,062
0	11,846	64,858	(8,979)	(4,675)	18,769,696
0	18,417	54,331	(56,784)	0	24,009,656
0	11,869	8,176	724	(2,717)	5,439,563
0	(15,982)	10,162	5,497	(321)	10,311,027
0	60,257	49,762	10,178	(26)	12,459,591
0	(457,041)	78,790	96,023	(5,457)	12,497,520
(6,018,960)	0	0	0	0	0
0	0	0	0	0	3,237,861
137,713	0	0	0	(1)	139,329
<u>(5,881,247)</u>	<u>66,230</u>	<u>893,818</u>	<u>(79,666)</u>	<u>(354,651)</u>	<u>221,878,576</u>
<u>5,881,247</u>	<u>(66,230)</u>	<u>(893,818)</u>	<u>230,833</u>	<u>2</u>	<u>(1,626,255)</u>
0	0	0	0	(118,770,215)	0
0	0	0	(5,494,505)	118,770,215	(996,702)
0	0	0	(5,494,505)	0	(996,702)
<u>5,881,247</u>	<u>(66,230)</u>	<u>(893,818)</u>	<u>(5,263,672)</u>	<u>2</u>	<u>(2,622,957)</u>
					<u>412,933,367</u>
					<u>\$ 410,310,410</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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 and presented in the financial statements was prepared on the modified accrual basis of accounting. All County authorized amendments to the applicable budget originally approved, have been incorporated into data reflected in the financial statements. The County made several supplemental budgetary appropriations during 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 submit to the Board of County Commissioners a tentative budget for the ensuing fiscal year. The tentative budget includes proposed expenditures and funding sources.
2. Section 195.087, *Florida Statutes*, governs the preparation, adoption and administration of the annual budget of the Property Appraiser and Tax Collector. The proposed operating budget is presented to the Board of County Commissioners on or before June 1 of each year by the Property Appraiser and on or before August 1 of each year by the Tax Collector. Their budgets are simultaneously submitted to the State of Florida, Department of Revenue, from which the approval of the budget of the Property Appraiser and Tax Collector must emanate.
3. On or before July 15 of each year, or within 15 days after the receipt of certified taxable property values from the Property Appraiser, whichever occurs last, the Office of Management and Budget, presents to the Board of County Commissioners 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.
4. The County shall require such changes to be made as it shall deem necessary, provided the budget remains in balance and subject to the notice and public hearing requirements of Section 200.065, *Florida Statutes*, and the budget preparation and adoption procedures, as defined in Section 129.03, *Florida Statutes*.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgets and Budgetary Accounting (continued)

5. Following the successful completion of the above referenced public hearings, the County advertises and subsequently conducts a second public hearing to finally adopt a millage rate and budget for each of 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 County is unable to finally adopt a budget prior to October 1, state law permits the readoption by resolution of the budget of the preceding year as an interim measure. In its effort to get as much citizen input as possible, the County holds a third public hearing prior to the adoption of a tentative millage rate.
6. Pursuant to the provisions of Section 129.07, *Florida Statutes*, the Board of County Commissioners is prohibited from expending or contracting for the expenditure of any amount in excess of the total amount budgeted in any fund. It is, however, legally permissible at the present time for the budgets of individual departments included within a particular fund to be overexpended in total without requiring mandatory action by either the Board of County Commissioners, the Clerk of the Circuit Court (as Clerk to the Board of County Commissioners and finance officer), or the County Administrator (as budget officer). Transfers of appropriate amounts between funds require approval of the Board of County Commissioners.
7. Adoption and execution of the budgets of the Clerk of the Circuit and County Courts, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector are governed by applicable provisions of the *Florida Statutes*. During the 2009 legislative session, the Florida legislature reduced statewide funding for the Clerk's Court budgets for the current fiscal year. The legislature changed any future budget for the Clerk's court function to a State fiscal year of July 1 to June 30. The Clerk's funding process for the court function was changed to an appropriation from the State of Florida and the revenues are collected and disbursed monthly to the State of Florida. The fiscal year for the Clerk continues to be from October 1 to September 30, and any unexpended appropriation for the Court budget is rolled into the new fiscal year.
8. Formal budgetary integration at the object level is used as a management control device for all governmental funds of the County for which annual budgets are adopted, including the General, Special Revenue, Debt Service, and Capital Projects funds. Proforma project length budgets are provided to the County 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 the Financial Statements

Year Ended September 30, 2012

Note IV. CASH AND INVESTMENTS

As of September 30, 2012, the value of the County's deposits and investments, with their respective credit ratings, was as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Deposits in Qualified Public Depositories	\$ 20,615,007	N/A	N/A
Money Market	755,115	AAA	0.08
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	57,279,842	A+f	2.58
Florida Surplus Asset Fund Trust (FLSAFE)	1,162,095	AAAm	0.11
Florida PRIME Investment Pool	101,209	AAAm	0.85
Florida Local Government Investment Trust Government Fund (FLGIT)	14,499,655	AAAf	1.84
Florida Municipal Investment Trust (FMIVT) 1-3 Year High Quality Bond Fund	27,382,710	AAA/V2	1.64
Florida Municipal Investment Trust (FMIVT) 0-2 Year High Quality Bond Fund	49,897	AAA/V1	0.83
Externally Managed Portfolio:			
U.S. Treasuries	21,258,429	AA+	2.24
Government Sponsored Agencies:			
Fannie Mae	11,777,029	AA+	1.50
Federal Home Loan Mortgage Corp	645,434	AA+	0.51
Other Government Sponsored Agencies	7,547,615	AA+	1.15
Temporary Liquidity Guarantee	476,439	AA+	2.65
Collateralized Mortgage Obligations	2,126,949	AA+	1.54
Commercial Paper	2,047,477	A-1	0.32
Corporate Bonds	4,335,401	AA	1.75
Corporate Bonds	14,347,480	A	2.12
Municipal Bonds	3,194,819	AAA	3.51
Municipal Bonds	4,834,737	AA	1.65
Municipal Bonds	970,002	A	3.15
Asset-backed Securities	2,119,334	AAA	0.92
Asset-backed Securities	22,443	A	0.05
Total Cash and Investments	<u>\$ 197,549,118</u>		

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note IV. CASH AND INVESTMENTS (continued)

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. Credit-quality risk identified with S&P ratings or Moody equivalents, is provided in the preceding table. Deposits not exposed to credit quality risk, as defined by GASB 40, are designated as "NA" in the credit rating column.

Section 218.415(16), *Florida Statutes*, stipulates the state-approved investment policy for all governmental entities and includes the following investments:

1. The Florida Prime (formerly 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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note IV. CASH AND INVESTMENTS (continued)

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

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 rating as of September 30, 2012 was A+f. A copy of SPIA's most recent financial statements can be found at http://www.fltreasury.org/fs_01.html. Investments in this pool are limited to a maximum of 50% of the portfolio. At September 30, 2012, the County had \$57,279,842 with SPIA.

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Clerk, 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 AA Af by Standard & Poor's. A copy of FLGIT's most recent financial statements can be found at <http://www.floridatrusionline.com/>. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2012, the County had \$14,499,655 with FLGIT.

The FMIvT 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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note IV. CASH AND INVESTMENTS (continued)

The portfolio is managed by Atlanta Capital Management and maintains an AAA rating from Fitch. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2012, the County had \$27,382,710 invested with FMIVT, 1 to 3 Year High Quality Bond Fund.

The FMIVT 0 to 2 Year High Quality Bond Fund is also operated by the Florida League of Cities. This Fund, which was established in April 2009, invested in government and high-quality securities while maintaining an average maturity of approximately one year. The performance of the portfolio is managed by Atlanta Capital Management. A copy of FMIVT's most recent financial statements can be found at <http://www.floridaleagueofcities.com/Default.aspx>. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2012, the County had \$49,897 invested with FMIVT, 1 to 2 High Quality Bond Fund.

The County also invests in Florida PRIME administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME 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 Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2012, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAM by Standard and Poors. The weighted average of days to maturity of the Florida PRIME at September 30, 2012 is 38 days. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2012, the County had \$101,209 invested in Florida PRIME. Florida PRIME's most recent financial statements can be found at <https://www.sbafla.com/prime/Audits/tabid/582/Default.aspx>.

The County also invests in the Florida Surplus Asset Fund Trust (FLSAFE), a local government investment pool governed by Section 218.415, *Florida Statutes*, that provides for pooling of Florida's local government funds. FLSAFE is an external investment pool that is not a registrant with the SEC; however, the FLSAFE has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. FLSAFE is managed by Davidson Fixed Income Management, Inc. (DFIM), a registered investment advisor, and the trust's investments are held in custody by U.S. Bank. Oversight for the pool is provided by a Board of Trustees consisting of members who represent participating local government entities. The trust invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly-rated commercial paper, money market funds, and deposits held in qualified public depositories. The current rating for the FLSAFE is AAAM by Standard and Poors. The weighted average days to maturity of the FLSAFE at September 30, 2012, is 57 days. Investments in the FLSAFE are not evidenced by securities that exist in physical or book entry form. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2012, the County had \$1,162,095 invested with the FLSAFE. A copy of FLSAFE's most recent financial statements can be found at: http://www.flSAFE.org/financial_statements.aspx.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note IV. CASH AND INVESTMENTS (continued)

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 it may not be able to recover the value of its investments that are in the possession of an outside party.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. The County's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2012, were \$20,615,007. 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 value of investments. The County manages interest rate risk by setting the range of duration for the County's portfolio as 0.5 years to 2.5 years, with a five-year average of 1.5 years. The effective duration of investments is listed in the preceding table.

The externally managed portfolio totaled \$75,703,588 at September 30, 2012, and was invested for a weighted average term of 770 days. In accordance with its investment policy, 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 County 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 SBA. 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/statewide_financial_reporting/index.htm.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note V. PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal, special taxing districts, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of Florida 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 County prior to October 1 of each year. The millage rate collected by the County during the current fiscal year was 7.850 mills. County citizens were also assessed for Emergency Medical Services (EMS) and primary health care services through Municipal Services Taxing Units at millage rates of 0.5000 and 0.000 mills, respectively. For County citizens charged a special assessment, the required annual payment is also included on their tax bill.

Amendment 1 to the Florida Constitution became effective on October 1, 2008, with the exception of the ten percent (10%) cap on non-homestead property, which became effective on January 1, 2009. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by an additional \$25,000 (for values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase in homestead exemption, resulting in an estimated savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

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

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

All taxes are due and payable on November 1st of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. No accrual for the property tax levy becoming due in November 2012 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note V. PROPERTY TAXES (continued)

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, 2012.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VI. CAPITAL ASSETS

A. Capital Asset Activity for the year ended September 30, 2012 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital not being depreciated:				
Land	\$ 20,208,716	\$ 0	\$ 0	\$ 20,208,716
Improvements other than buildings	14,626,845	0	0	14,626,845
Construction/Purchase in progress	39,928,124	14,405,210	(5,236,719)	49,096,615
Total not being depreciated	<u>74,763,685</u>	<u>14,405,210</u>	<u>(5,236,719)</u>	<u>83,932,176</u>
Capital assets being depreciated:				
Buildings	169,150,109	514,588	0	169,664,697
Equipment	44,962,349	4,033,243	(2,139,845)	46,855,747
Library collection	3,003,062	749,161	(636,760)	3,115,463
Infrastructure	314,241,785	9,273,208	(6,085,389)	317,429,604
Total being depreciated	<u>531,357,305</u>	<u>14,570,200</u>	<u>(8,861,994)</u>	<u>537,065,511</u>
Less accumulated depreciation:				
Buildings	(73,754,132)	(4,314,848)	0	(78,068,980)
Equipment	(20,277,927)	(4,403,626)	1,053,050	(23,628,503)
Library collection	(1,804,738)	(623,093)	636,760	(1,791,071)
Infrastructure	(176,937,870)	(9,639,123)	2,814,173	(183,762,820)
Total accumulated depreciation	<u>(272,774,667)</u>	<u>(18,980,690)</u>	<u>4,503,983</u>	<u>(287,251,374)</u>
Total being depreciated, net	<u>258,582,638</u>	<u>(4,410,490)</u>	<u>(4,358,011)</u>	<u>249,814,137</u>
Governmental activities capital assets, net	<u>\$ 333,346,323</u>	<u>\$ 9,994,720</u>	<u>\$ (9,594,730)</u>	<u>\$ 333,746,313</u>
Business-type activities:				
Capital not being depreciated:				
Land	\$ 1,809,844	\$ 0	\$ 0	\$ 1,809,844
Total not being depreciated	<u>1,809,844</u>	<u>0</u>	<u>0</u>	<u>1,809,844</u>
Capital assets being depreciated:				
Buildings	19,276,507	151,725	0	19,428,232
Equipment	5,397,492	1,159,031	(1,130,786)	5,425,737
Total being depreciated	<u>24,673,999</u>	<u>1,310,756</u>	<u>(1,130,786)</u>	<u>24,853,969</u>
Less accumulated depreciation:				
Buildings	(11,116,477)	(35,619)	0	(11,152,096)
Equipment	(2,565,052)	(447,927)	387,047	(2,625,932)
Total accumulated depreciation	<u>(13,681,529)</u>	<u>(483,546)</u>	<u>387,047</u>	<u>(13,778,028)</u>
Total being depreciated, net	<u>10,992,470</u>	<u>827,210</u>	<u>(743,739)</u>	<u>11,075,941</u>
Business-type activities capital assets, net	<u>\$ 12,802,314</u>	<u>\$ 827,210</u>	<u>\$ (743,739)</u>	<u>\$ 12,885,785</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VI. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 5,521,253
Public safety	704,040
Physical environment	425,344
Transportation	10,060,017
Human services	189,747
Culture and recreation	<u>2,080,289</u>
Total depreciation expense - governmental activities	<u>\$18,980,690</u>

Business-type activities:

Landfill	\$ 483,546
Total depreciation expense - business-type activities	<u>\$ 483,546</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VII. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Balances as of September 30, 2012, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government:		
By Major Fund:		
General	\$ 864,232	\$ 2,348,704
Fine & Forfeiture	1,292,449	0
Grants	<u>0</u>	<u>9,864</u>
Total Major Funds	2,156,681	2,358,568
Nonmajor Special Revenue Funds:		
Local Legal Programs	0	3,831
Mosquito Control	0	3,825
Sheriff Special Grants Fund	19,848	26,707
Emergency Management 911 Fees	50	364,532
Emergency Management Grant	0	3,982
Sheriff Inmate Fund	6,531	0
Artice V Court Operating Fund	0	77,611
Records Modernization Fund	<u>77,611</u>	<u>0</u>
Total Nonmajor Special Revenue Funds	<u>104,040</u>	<u>480,488</u>
Total Nonmajor Governmental Funds	<u>104,040</u>	<u>480,488</u>
Total Governmental Funds	<u>2,260,721</u>	<u>2,839,056</u>
Proprietary Funds:		
Internal Service Fund	<u>578,335</u>	<u>0</u>
Total Proprietary Funds	<u>578,335</u>	<u>0</u>
Total Primary Government	<u>2,839,056</u>	<u>2,839,056</u>
Total Primary Government & Component Unit	<u>\$ 2,839,056</u>	<u>\$ 2,839,056</u>

The General and Fine & Forfeiture Funds have amounts due to and from Constitutional Officers, which represent the return of excess balances due at the end of the fiscal year, from either budget officers or fee officers. All remaining balances resulted from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VII. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

B. Interfund Transfers represent the movement of cash for operations in funds and constitutional officers. At year end, the balances for the year ended September 30, 2012, consisted of the following:

Transfers to the General Fund from:

Fine & Forfeiture Fund	\$ 73,381,201
Fire Rescue Services Fund	27,055
Nonmajor Governmental Funds	176,952
Enterprise Fund	29,633
Total Transfers to the General Fund	<u>73,614,841</u>

Transfers to the Fine & Forfeiture Fund from:

General Fund	1,255,098
Nonmajor Governmental Funds	435,273
Total Transfers to the Fine & Forfeiture Fund	<u>1,690,371</u>

Transfers to the Grants Fund from:

General Fund	121,155
Nonmajor Governmental Funds	132,019
Total Transfers to Grants Fund	<u>253,174</u>

Transfers to the Capital Improvement Fund from:

General Fund	3,725,115
Fire Rescue Services Fund	25,000
Internal Service Funds	5,494,505
Nonmajor Governmental Funds	6,709,626
Total Transfers to the Capital Improvement Fund	<u>15,954,246</u>

Transfers to the Nonmajor Funds from:

General Fund	17,745,348
Grants Fund	125,322
Nonmajor Governmental Funds	9,386,913
Total Transfers to the Nonmajor Funds	<u>27,257,583</u>
Total Transfers to the Governmental Funds	<u>118,770,215</u>

Transfers to the Enterprise Fund from:

General Fund	1,026,334
Total Transfers to Enterprise Funds	<u>1,026,334</u>

Total Interfund Transfers **\$ 119,796,549**

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VIII. LONG-TERM OBLIGATIONS

A. Long-term Obligations

The County has no general long-term obligations debt. The County's long-term obligations, excluding accrued compensated absences, at September 30, 2012, are comprised of the following:

Revenue Bonds:

**Outstanding at
September 30, 2012**

\$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 of 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. \$ 44,505,000

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VIII. LONG-TERM OBLIGATIONS (continued)

Revenue Bonds:

**Outstanding at
September 30, 2012**

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

12,465,000

\$7,895,040 Capital Improvement Revenue Refunding Bonds, Series 2011, to (i) refund the Capital Improvement Anticipation Notes, Series 1998B of which 7,790,000 was currently outstanding, and (ii) to pay the bond issuance costs. The bonds, dated March 17, 2011 bear interest of 1.15% per annum. The interest on the bonds is payable on October 1, beginning October 1, 2011. The bond principal matures on October 1 of each year beginning October 1, 2013.

2,686,070

The Capital Improvement Revenue Bonds, Series 2003A, the Revenue Refunding Bonds, Series 2005 and 2011, 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, Second Guaranteed Entitlement, and Additional State Revenue Sharing Funds (less the Guaranteed Entitlement and the Second Guaranteed Entitlement).

Total Bonds Payable

\$ 67,621,070

Notes payable is comprised of the following at September 30, 2012

SunTrust Equipment Finance & Leasing Corp

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

\$ 2,493,500

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VIII. LONG-TERM OBLIGATIONS (continued)

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

Special Revenue Bonds and Notes Payable

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 6,167,526	\$ 3,084,846	\$ 9,252,372
2014	6,496,251	2,911,348	9,407,599
2015	6,811,605	2,602,970	9,414,575
2016	7,127,540	2,281,435	9,408,975
2017	7,414,077	1,997,298	9,411,375
2018-2022	26,502,571	5,533,309	32,035,880
2023-2025	9,595,000	925,951	10,520,951
Total	<u>\$ 70,114,570</u>	<u>\$ 19,337,157</u>	<u>\$ 89,451,727</u>

C. Advances and Current Refundings – There are no current Advances or Current Refundings.

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

	Balance October 1, 2011	Reductions	Additions	Balance September 30, 2012	Due Within One Year
Governmental Activities:					
Capital Improvement Revenue Bonds, Series 2003A	\$ 7,965,000	\$ 0	\$ 0	\$ 7,965,000	\$ 0
Taxable Capital Improvement Revenue Bonds, Series 2003B	12,465,000	0	0	12,465,000	0
Capital Improvement Revenue Refunding Bonds, Series 2005	47,490,000	(2,985,000)	0	44,505,000	3,090,000
Capital Improvement Refunding Revenue Bonds, Series 2011	<u>5,342,830</u>	<u>(2,656,760)</u>	<u>0</u>	<u>2,686,070</u>	<u>2,686,070</u>
Total Special Revenue Debt	73,262,830	(5,641,760)	0	67,621,070	5,776,070
Liability for compensated absences	13,838,518	(5,761,868)	6,406,433	14,483,083	4,577,980
Other postemployment benefits	3,434,874	(187,261)	1,092,612	4,340,225	0
Arbitrage rebate liability	25,000	0	0	25,000	0
Bank of America - Notes payable	<u>2,870,700</u>	<u>(377,200)</u>	<u>0</u>	<u>2,493,500</u>	<u>391,456</u>
Governmental Activity Long- term Debt	<u>\$93,431,922</u>	<u>\$(11,968,089)</u>	<u>\$ 7,499,045</u>	<u>\$88,962,878</u>	<u>\$10,745,506</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VIII. LONG-TERM OBLIGATIONS (continued)

	Balance October 1, 2011	Reductions	Additions	Balance September 30, 2012	Due Within One Year
Business-type activities:					
Liabilities for compensated absences	\$ 168,716	\$ (113,169)	\$ 116,740	\$ 172,287	\$ 55,508
Other postemployment benefits	71,266	0	1,620	72,886	0
Landfill closure and postclosure costs	11,105,674	0	222,113	11,327,787	0
Business-type activity Long-term liabilities	<u>\$ 11,345,656</u>	<u>\$ (113,169)</u>	<u>\$ 340,473</u>	<u>\$ 11,572,960</u>	<u>\$ 55,508</u>

For the governmental activities, other postemployment benefits and the liability for the compensated absences is usually liquidated by the general fund.

The compensated absences liability attributable to governmental activities will be liquidated within the fund that the individual employees are paid in. Currently, the County pays approximately 73 percent of its salaries in the General Fund with the remainder being paid in the special revenue and proprietary funds.

E. Purchase Cards - The County currently utilizes purchasing cards with a cumulative credit limit of \$460,000. The balance on the purchasing cards is paid within ten days of each billing cycle. The purchasing activity for fiscal year 2012 is as follows:

Beginning balance	\$ 341,868
Purchases	3,709,740
Payments	<u>(3,652,175)</u>
Ending balance	<u>\$ 399,433</u>

F. Special Assessment Debt - The County has no special assessment debt.

G. Demand Bonds - The County has no demand bonds.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VIII. LONG-TERM OBLIGATIONS (continued)

H. Discretely presented Component Unit - Housing Finance Authority of Leon County

The Authority had the following bonds outstanding at September 30, 2012, pursuant to its authorization:

	<u>Amount Outstanding</u>
Single Family Mortgage Revenue and Refunding Bonds, Series 1995 A	<u>\$ 265,000</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.

I. Conduit Debt Obligations - From time to time, the County has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of health care and industrial facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2012, the conduit debts outstanding were as follows:

<u>Project Description</u>	<u>Fiscal Year Issued</u>	<u>Original Bond Issue</u>	<u>Principal Outstanding @ 9/30/2012</u>
Holy Comforter Episcopal School	2002	\$ 4,400,000	\$ 3,177,630
Apalachee Center, Inc.	2008	8,500,000	7,366,680
Goodwill Industries - Big Bend, Inc.	2009	2,400,000	2,187,490
Educational Facilities Authority			
Refunding Series 1998A	1998	12,000,000	8,131,284
Refunding Series 1998B	1998	20,500,000	18,069,092
Student Housing Revenue Bonds 2003	2008	23,315,000	20,385,000

Total Conduit Debt Principal Balance as of September 30, 2012	<u>\$ 59,317,176</u>
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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note VIII. LONG-TERM OBLIGATIONS (continued)

<u>Project Description</u>	<u>Fiscal Year Issued</u>	<u>Original Bond Issue</u>	<u>Principal Outstanding @ 9/30/2012</u>
<u>Defeased Conduit Debt</u>			
Educational Facilities Authority			<u>\$ 5,900,000</u>

J. Debt Parity

The Capital Improvement Revenue Bonds, Series 2003A, 2003B, and 2011, and the Capital Improvement Revenue Refunding Bonds, Series 2005 and 2011, represent junior lien parity bonds payable from and secured by a lien upon certain non-ad valorem revenue. The pledged revenues include the Local Government Half-Cent Sales tax, guaranteed entitlement, second guaranteed entitlement, and 50% of the additional state revenue funds received in the prior fiscal year.

	<u>Actual 2009</u>	<u>Actual 2010</u>	<u>Actual 2011</u>	<u>Actual 2012</u>
Pledged revenues:				
Revenues available for debt service:				
Local Government Half-Cent Sales Tax	\$10,466,447	\$10,288,684	\$10,437,198	\$10,445,949
Guaranteed entitlement	316,798	316,798	316,798	316,798
Second guaranteed entitlement	1,026,649	1,026,649	1,026,649	1,026,649
Additional state revenue sharing funds	935,798	699,931	708,334	778,737
Total revenues available for debt service	<u>\$12,745,692</u>	<u>\$12,332,062</u>	<u>\$12,488,979</u>	<u>\$12,568,133</u>
Combined maximum annual debt service for debt (Series 1998B, Series 2003A and 2003B, Series 2005, and Series 2011)	\$ 8,928,508	\$ 8,927,843	\$ 8,845,936	\$ 8,801,618
Debt service coverage	1.43 x	1.38 x	1.41 x	1.43 x

Note IX. 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 \$11,327,787 reported as landfill closure and post-closure

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note IX. CLOSURE AND POSTCLOSURE CARE COST (continued)

care liability at September 30, 2012, 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 2012 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 County cannot begin to perform closure and post-closure care.

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, 2012, held investments in the amount of \$7,126,955 for these purposes that are reported as restricted assets on the balance sheet. 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.

Note X. EMPLOYEE BENEFITS

A. Florida Retirement System

Plan Description - The County contributes to the Florida Retirement System (the FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. During the 2011 Legislative Session SB2100 was passed making changes to the FRS effective July 1, 2011, as outlined below. The FRS issues financial statements and required supplementary information obtainable at www.dms.myflorida.com/human_resource_support/retirement/publications/system_information/annual_reports.

Funding Policy - Prior to July 1, 2011, the FRS was employee noncontributory. Beginning July 1, 2011, employees who are not participating in the Deferred Retirement Option Plan (DROP) are required to contribute 3% of their salary to the FRS. The County is required to contribute at an actuarially-determined rate.

The County 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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note X. EMPLOYEE BENEFITS (continued)

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, 2012, the contribution rate was 1.11% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2012, 2011, and 2010 were \$6,723,355, \$11,022,177, and \$11,595,076, respectively, which is equal to 100% of the required contribution for each year. The rates for 2012 and 2011 fiscal years were as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2011	July 1, 2012
Regular Class	For employees in the FRS as of June 30, 2011, normal retirement at age 62 or at least 30 years of service: 1.60% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	4.91 %	5.18 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 1.6% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		
Senior Management Class	For employees in the FRS as of June 30, 2011, normal retirement at seven years and age 62: 2.00% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	6.27 %	6.30 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 2.00% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		
Special Risk (sworn employees)	For employees in the FRS as of June 30, 2011, normal retirement at age 55, or 25 years of special risk service: 2% to 3% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	14.10 %	14.90 %

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note X. EMPLOYEE BENEFITS (continued)

<u>Membership Category</u>	<u>Benefit</u>	<u>Vesting</u>	<u>Employer Contribution Rate</u>	
			<u>July 1, 2011</u>	<u>July 1, 2012</u>
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 60, or at least 30 years of service: 2% to 3% times average compensation (8 highest years) times years of creditable service.	After eight years creditable service.		
Elected County Officers' Class (ESCOC)- Nonjudicial	For employees in the FRS as of June 30, 2011, normal retirement at eight years ESCOC service and age 62: 3.00% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	11.14 %	10.23 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 3.00% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		
Deferred Retirement Option Program (Drop)	For employees in DROP as of June 30, 2011, 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.	4.42 %	5.44 %
	For employees entered in DROP on or after July 1, 2011, retirement benefit paid to DROP where it earns 1.3% interest, tax deferred, for up to five years while the member continues to work.			

B. Deferred Compensation Plan

The County offers their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The County complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note X. EMPLOYEE BENEFITS (continued)

beneficiaries. Deferred compensation amounts withheld from participating employees' pay are not taxable as current income until withdrawn from the plan. Annual contributions by a participant may not exceed the lesser of \$16,500 or 50% of gross annual compensation. There is an "age 50 catch-up" provision that allows an additional \$5,000 contribution from the year the employee reaches age 50 until the employee terminates employment.

C. Liability for Compensated Absences

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

D. Executive Service Plan

Executive service and senior management employees of Leon County are entitled to severance pay if terminated from employment. If there is a contract or an employment agreement, they are entitled to up to twenty weeks of severance pay. If there is no contract, severance pay is limited to six weeks.

E. Post Employment Benefits Other Than Pension Benefits

Plan Description

The County participates and administers an agent multiple-employer plan under which qualified retired employees are permitted to participate in the health and life insurance benefits program (the Program). The health portion of the Program is considered by the County's insurance provider to be community-rated and, therefore, no Other Postemployment Benefit (OPEB) obligation is calculated for healthcare. The Program may be amended by the County's Board of County Commissioners. 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 County consists of elected Constitutional Officers of the County. The annual 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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note X. EMPLOYEE BENEFITS (continued)

statements. The County's OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the County's annual OPEB cost, its actual contributions and changes in the County's net OPEB obligation:

	FY 2012	FY 2011	FY 2010
Normal cost (service cost for one year)	\$ 470,090	\$ 470,090	\$ 480,857
Amortization of unfunded actuarial accrued liability	642,166	642,166	668,455
Interest on normal cost and amortization	44,490	44,490	45,972
Annual required contribution	1,156,746	1,156,746	1,195,284
Interest on net OPEB obligation	140,246	102,466	65,633
Adjustment to annual required contribution	(202,760)	(148,141)	(94,889)
Annual OPEB cost	1,094,232	1,111,071	1,166,028
Contributions made	(187,261)	(166,589)	(245,192)
Increase in net OPEB obligation	906,971	944,482	920,836
Net OPEB obligation at beginning of year	3,506,140	2,561,658	1,640,822
 Net OPEB obligation at end of year	 \$ 4,413,111	 \$ 3,506,140	 \$ 2,561,658

The percentage of annual OPEB cost contributed to the plan for fiscal year 2012, 2011, and 2010, was 17.11%, 14.99%, and 21.03%, respectively.

Funded Status and Funding Progress

As of September 30, 2012, the County's share of the actuarial accrued liability for benefits recognized in the County's financial statements was \$11,548,526, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the plan) was \$80,558,588. The ratio of the County's actuarial accrued liability to the County's covered payroll was 14.34% at September 30, 2012.

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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note X. EMPLOYEE BENEFITS (continued)

Actuarial Methods and Assumptions

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

For the October 1, 2010 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. As stated in the plan description, healthcare costs are not included in the liability; therefore no healthcare cost trend assumption is made. 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, 2012, was 30 years.

Note XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES

A. General Liability

Effective October 1, 2009, the County purchased commercial insurance for general liabilities from Travelers. From October 1, 2002 to September 30, 2008, the County maintained commercial insurance for general liabilities from Preferred Governmental Insurance Trust. The County maintained a \$10,000 deductible with each insurance carrier.

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

	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2012	\$ 97,000	\$ (34,002)	\$ 0	\$ 62,998
September 30, 2011	\$ 64,000	\$ 33,000	\$ 0	\$ 97,000

The claims liability of \$62,998 includes an actuarial valuation for incurred but not yet reported claims of \$15,000.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES (continued)

B. Workers' Compensation

The County's Insurance Service Fund is used to account for insurance activities relating to workers' compensation that is administered by a third-party administrator. Under this program, the County absorbs losses up to a maximum of \$350,000 for each claim. At September 30, 2012, the County had \$40,000 deposited with the third-party administrator for use against future claims. The County purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in the current year or any of the past four years.

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

The claims liability for workers' compensation of \$2,531,277, which includes an actuarial evaluation for incurred but not reported claims of \$1,325,737, is included in other current liabilities and reported in the Internal Service Fund at September 30, 2012. The liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amount were as follows:

Year	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2012	\$ 2,870,000	\$ (458,723)	\$ (120,000)	\$ 2,531,277
September 30, 2011	\$ 2,973,000	\$ 306,000	\$ 409,000	\$ 2,870,000

C. Automobile Liability

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES (continued)

As a member of the Florida Sheriff's Association, the Sheriff participates in the Sheriffs' Automobile Risk Program for automobile liability insurance. Coverage includes liability for bodily injury and property damage, personal injury protection, auto medical payments, bodily injury for uninsured motorists and physical damage. Coverage for physical damage is also maintained on certain vehicles. The contribution required for the year ended September 30, 2012 was \$177,410.

Changes in the fund's claims liability were as follows:

<u>Year</u>	<u>Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
September 30, 2012	\$ 5,000	\$ 321	\$ 0	\$ 5,321
September 30, 2011	\$ 13,000	\$ (8,000)	\$ 0	\$ 5,000

The claims liability of \$5,321 includes an actuarial valuation for incurred but not reported claims of \$5,000.

D. Professional Liability

The Sheriff is currently a member of the Florida Sheriffs' Association and participates in the Florida Sheriffs' Self-Insurance Fund. The Self-Insurance Fund administers insurance activities related to professional liability and covers compensatory damages (except back pay), employment benefits, punitive damages, attorney fees or costs awarded to a prevailing plaintiff, and all legal fees involved in defense of the Sheriff. The contribution required for the year ended September 30, 2012 was \$419,432.

The limits of the Self-Insurance Fund for the above mentioned damages, fees and defense costs are \$3,200,000 per person; \$3,300,000 per incident or occurrence; and \$10,000,000 in aggregate for the policy year. Settled claims did not exceed this coverage in the current year.

E. Excess Insurance

In the normal course of jail operations, the Sheriff seeks to limit its exposure to loss for catastrophic medical costs by purchasing insurance under an excess coverage contract. During the year ended September 30, 2012, the Sheriff maintained an excess insurance policy that provides a maximum specific benefit of \$250,000 per covered person, for claims in excess of \$75,000 reported during the annual contract term. The premium required for the year ended September 30, 2012 was \$52,031.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XII. SEGMENT INFORMATION - ENTERPRISE FUNDS

The County maintained one enterprise fund. The Leon County Landfill Fund accounts for revenues and expenditures related to the operation of the landfill and collection of revenues from the sale of processed recyclables and related costs to support the program. The County has not issued bonds to finance the activity of the enterprise fund. Further, none of the revenues streams of the enterprise fund are pledged in support of outstanding debt.

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Excess of Expenditures Over Appropriation

Certain funds show an excess of expenditures over appropriations. This excess is due to the appropriation and use of fund balance during the fiscal year. The excess in the Fire Rescue Services Fund is due to the contract between the County and the City of Tallahassee for fire services. The contract states that its collection of any fire service fees and assessments imposed by the County shall constitute full payment by the County to the City for all Fire Services provided under the agreement. In the agreement it states, "Both the City and County recognize the fire service fee rates are based on an average five year rate study period. Possible surplus revenues collected in early years are intended to offset probable increased costs in latter years of the five year rate study period. Any excess funds at the end of each fiscal year will be transferred into a Fire Services Reserve fund for future appropriation." The true-up between the County and City is completed after the 60 day period for budget amendments to be done. All distributions are made in accordance with the contract.

B. Excess of Expenditures Over Revenue in the Budget Column

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

C. Deficit Fund Balances

The Special Assessment Sewer Fund has a deficit fund balance of \$3,025 as of September 30, 2012.

D. Minimum Fund Balance Policy

On September 16, 2008, Leon County adopted Policy Number 07-2 called "Reserves." The first section, Emergency Reserves includes the general revenue emergency reserves which are maintained at an amount not to be less than three percent and not to exceed eight percent of the projected General Fund and Fine & Forfeiture Fund operating expenditures for the ensuing fiscal year. In addition, a catastrophe reserve will be maintained at two percent. The reserve will provide immediate cash flow in the event of a natural disaster. The Reserve for Contingency is separate from the Reserves for Cash Balances and annually determined by the Board of County Commissioners as a part of the budget. Any funds not included under this category will be included as part of the unreserved fund balance.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (continued)

Reserves for Cash Balances are maintained by the County as an annual unassigned reserve for cash balance at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing. The fund balance shall be no less than ten percent and no greater than twenty percent of the projected General Fund and Fine & Forfeiture Fund operating expenditures. All major funds will retain sufficient cash balances to eliminate the need for short-term borrowing.

As a part of the annual budget process, a determination is made of the minimum and maximum amounts based on above requirements. Funds in excess of the minimums established can be utilized to support one-time capital expenses.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (continued)

E. Fund Balance

At fiscal year end, fund balances reported on the Statements of Revenues, Expenditures, and Changes in Fund Balance include:

Primary Government Fund Balances:	General Fund	Major Funds	Other Funds	Total
Nonspendable:				
Inventory	\$ 580,869	\$ 0	\$ 1,467	\$ 582,336
Prepaid assets	100	0	22,341	22,441
Long-term receivables	43,017	7,801	3,779,484	3,830,302
Total nonspendable	<u>623,986</u>	<u>7,801</u>	<u>3,803,292</u>	<u>4,435,079</u>
Restricted:				
General government	0	2,644,439	1,791,809	4,436,248
Public safety	0	0	3,370,610	3,370,610
Physical environment	0	0	17,899	17,899
Transportation	0	0	3,996,921	3,996,921
Economic environment	0	0	1,071,886	1,071,886
Human services	0	0	6,666	6,666
Judicial	0	0	805,928	805,928
Total restricted	<u>0</u>	<u>2,644,439</u>	<u>11,061,719</u>	<u>13,706,158</u>
Committed:				
General government	3,081,165	302,651	1,922,792	5,306,608
Public safety	0	11,231,536	6,198,617	17,430,153
Physical environment	0	22,905	2,386,670	2,409,575
Transportation	0	515,159	648,048	1,163,207
Culture and recreation	0	406,202	0	406,202
Judicial	0	0	158,180	158,180
Total committed	<u>3,081,165</u>	<u>12,478,453</u>	<u>11,314,307</u>	<u>26,873,925</u>
Assigned:				
General government	7,752,860	16,097,718	1,909,797	25,760,375
Public safety	0	18,683,896	952,365	19,636,261
Physical environment	0	1,648,218	11,667,831	13,316,049
Transportation	6,350	17,255,783	6,594,430	23,856,563
Economic environment	0	355,600	4,412,982	4,768,582
Human services	100,000	200,000	774,170	1,074,170
Culture and recreation	0	2,941,780	518,608	3,460,388
Judicial	0	2,125,514	0	2,125,514
Total assigned	<u>7,859,210</u>	<u>59,308,509</u>	<u>26,830,183</u>	<u>93,997,902</u>
Unassigned:	<u>24,747,222</u>	<u>0</u>	<u>(1,355,658)</u>	<u>23,391,564</u>
Total Fund Balances	<u>\$36,311,583</u>	<u>\$74,439,202</u>	<u>\$51,653,843</u>	<u>\$ 162,404,628</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XIV. COMMITMENTS AND CONTINGENCIES

A. Contract Commitments

Lease Income

On June 2003, the County 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, 2012 are as follows:

Fiscal Year Ending September 30,	Amount
2013	\$ 1,174,630
2014	1,205,999
2015	1,110,321
2016	790,405
2017	322,870
Thereafter	<u>1,187,484</u>
Total minimum payments	<u>\$ 5,791,709</u>

The property being leased is included in the Statement of Net Assets Governmental Activities column with a carrying value of \$18,745,881 and depreciation expense of \$473,935 for fiscal year 2012. The facility is carried as a governmental activity because the County purchased the building to provide offices for County staff.

Operating Leases

Effective October 1, 2008, the Property Appraiser entered into a three-year computer maintenance contract with Tyler Technologies, Inc. On August 19, 2011, the contract was extended through September 30, 2014. The commitment for the fiscal years ended September 30, 2013 and 2014 are \$95,100 and \$99,540, respectively. The contract may be terminated at the close of each calendar year by giving sixty days written notice by Tyler Technologies, Inc. or thirty days written notice by the Property Appraiser.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

On April 11, 2012, the Supervisor of Elections entered into an operating lease for the rental of space for the voter operations center. The lease agreement provides for monthly rentals, which escalate over the term of the lease. The lease commenced on September 1, 2012 for a period of ten years. Minimum future lease payments are as follows:

Fiscal Year Ending September 30,	Amount
2013	\$ 186,739
2014	187,026
2015	190,472
2016	193,919
2017	197,365
Thereafter	<u>1,023,512</u>
Total minimum payments	<u>\$ 1,979,033</u>

Rental expense for the year ended September 30, 2012 was \$94,084.

The Tax Collector has entered into noncancellable operating leases as lessee for office space and office equipment. Certain of these real property leases contain provisions for four or five-year renewal options, with stated increases or decreases for lease payments. At September 30, 2012, aggregate future minimum payments under non-cancelable operating leases with remaining terms equal to or exceeding one year are as follows:

Fiscal Year Ending September 30,	Amount
2013	\$ 716,409
2014	778,675
2015	859,643
2016	901,137
2017	907,702
Thereafter	<u>9,369,349</u>
Total minimum payments	<u>\$13,532,915</u>

Lease expenditures incurred under operating leases for the year ended September 30, 2012 were \$547,936.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

The Sheriff is committed to various operating leases for certain office and radio equipment. Operating leases are generally defined as leases that do not transfer benefits and risks of ownership to the lessee. For the year ended September 30, 2012, equipment lease expenses were \$96,448. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

Fiscal Year Ending September 30,	Amount
2013	\$ 31,265
2014	26,585
2015	14,834
2016	4,518
Total minimum payments	<u>\$ 77,202</u>

The Clerk leases office equipment and building space under operating leases expiring in various years through 2015. Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2012, for each of the three years and in the aggregate are as follows:

Fiscal Year Ending September 30,	Amount
2013	\$ 27,439
2014	14,524
2015	4,663
Total minimum payments	<u>\$ 46,626</u>

On June 27, 2010, the Clerk entered into an agreement for installation and implementation of new software. The total fees under this contract are \$772,854. As of September 30, 2012, a total of \$496,940 has been paid. The remaining balance will be paid based on the implementation of the civil and criminal case maintenance systems.

The implementation of the civil case maintenance will take place within the 2012-2013 fiscal year at which time \$155,914 will be paid. There has not been a date setup from the criminal case maintenance system implementation.

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Capital Leases

On January 31, 2009, the County 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:

Fiscal Year Ending September 30,	Amount
2013	\$ 229,120
Less amount representing interest	<u>(7,381)</u>
Present value of net minimum lease payments	<u>\$ 221,739</u>

Grants

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

Long-Term Construction Projects

The County is committed to various material long-term construction projects at September 30, 2012. These commitments have been included in the 2011-2012 fiscal year budget and the five-year Capital Improvement Program and certain amounts have been reserved in the capital projects fund. Current contracts outstanding as of the report date approximate \$5 million as compared to \$38 million at September 30, 2011.

The Sheriff, the County, and the City of Tallahassee (the Parties) entered into an inter-local agreement on December 20, 2007 to establish parameters relating to ownership, expansion, operation, maintenance, and the use of the 800MHz Project 25 Digital Trunked Simulcast (TSR) System. The agreement provides 50% ownership of the TSR System's backbone equipment by the Sheriff and the County. The agreement also provides that the Sheriff and the County are required to pay 50% of the TSR System's operating costs. Absent a prior notice to withdraw, the agreement shall continue until the date the agreement is terminated by mutual written agreement of the Parties. Activity related to the agreement is accounted for as a joint operation.

B. Blueprint 2000 Intergovernmental Agency

In October 2000, the County entered into an interlocal agreement with the City of Tallahassee as authorized by Section 163.01(7), *Florida Statutes*. This agreement created the Blueprint 2000 Intergovernmental Agency to govern the project management structure for the project planning and construction of the Blueprint 2000 projects.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2012

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

The Board of County Commissioners and the City Commission constitute the Blueprint 2000 Intergovernmental Agency. The revenues to fund the projects under this agreement are collections of the local government infrastructure sales surtax, beginning December 1, 2004, extended pursuant to the provisions in Section 212.055, *Florida Statutes*, until December 31, 2019. Debt has been issued in conjunction with these projects and secured by the above revenues. These bonds were issued to finance the projects approved by the voters of Leon County. Further information can be found in the BluePrint 2000 Intergovernmental Agency Financial Statements.

Financial statements may be obtained from the Blueprint 2000 Intergovernmental Agency at 2727 Apalachee Parkway, Suite 200, Tallahassee, Florida, 32301.

C. Potential Liabilities Resulting from Litigation

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

D. Subsequent Event

The County issued \$21,223,000 Capital Improvement Revenue Refunding Bonds, Series 2012 A and Series 2012 B to (i) refund the Capital Improvement Revenue Bonds Series 2003A and 2003B of which \$7,965,000 and \$12,465,000 respectively, were currently outstanding, and (ii) to pay the bond issuance costs. Proceeds of the Series 2012 A & B Bonds plus debt service reserve funds for \$211,638.57 accrued interest were deposited into an escrow account held by a Trustee. The bonds, dated December 20, 2012, bear interest of 1.65% and 2.22% per annum, respectively. The interest on the bonds will be paid semiannually on April 1 and October 1, of each year, beginning April 1, 2013. The principal amount of the 2012A Term Loan will be payable annually on October 1, 2019 and October 1, 2020. The principal amount of the 2012B Term Loan will be payable annually on October 1 of each year through the final maturity of October 1, 2019.

**INTERNAL CONTROL
AND
COMPLIANCE REPORTS**

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

Honorable Board of County Commissioners
Leon County, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Leon County, Florida, as of and for the year ended September 30, 2012, which collectively comprise Leon County, Florida's basic financial statements and have issued our report thereon dated March 5, 2013. 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

Management of Leon County, Florida, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Leon County, Florida'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 Leon County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Leon County, Florida'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 a 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 Leon County, Florida'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*.

We noted certain other matters pursuant to the *Rules of the Auditor General*, Chapter 10.550 that we have reported to the management of Leon County, Florida in a separate letter dated March 5, 2013.

This report is intended solely for the information and use of the Board of County Commissioners of Leon County, Florida, the audit committee and management, the Auditor General, State of Florida, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

 

March 5, 2013

Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance
with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*

Honorable Board of County Commissioners
Leon County, Florida

Compliance

We have audited Leon County, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Florida Department of Financial Service's State Projects Compliance Supplement*, that could have a direct and material effect on each of Leon County, Florida's major federal programs and state projects for the year ended September 30, 2012. Leon County, Florida's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedules of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of Leon County, Florida's management. Our responsibility is to express an opinion on Leon County, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Leon County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Leon County, Florida's compliance with those requirements.

In our opinion, Leon County, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2012.

Internal Control Over Compliance

Management of Leon County, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Leon County, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leon County, Florida's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of County Commissioners of Leon County, Florida, the audit committee and management, the Auditor General, State of Florida, and federal and state awarding agencies and pass-through entities 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.

March 5, 2013

Leon County, Florida
Schedule of Expenditure of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2012

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Pass through Florida Department of Agriculture and Consumer Services Specialty Crop Block Grant	10.170	015578 SCGB-09	8,982
Direct Program USDA Housing Preservation Grant	10.433	Grant 01/FY 2010	95,044
Total U.S. Department of Agriculture			<u>104,026</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass through Florida Department of Economic Opportunities Emergency Housing Set Aside - CDBG	14.228	10DB-4N-02-47-01-NE3	64,822
CDBG Disaster Recovery Program	14.228	10DB-K4-02-47-01-K21	6,491,241
CDBG Disaster Recovery Program- Oakridge	14.228	12DB-P5-02-47-01-K38	5,330
Total CFDA # 14.228			<u>6,561,393</u>
<u>U.S. Department of Interior</u>			
Direct Program Payment in Lieu of Taxes	15.226	Unknown	186,382
<u>Fish & Wildlife Service, U.S. Department of Interior</u>			
Pass through Florida Department of Financial Services Secure Rural Schools and Community Self-Determination	10.665	USFOR2011	49,239
Secure Rural Schools and Community Self-Determination-Title III	15.234	6540-2010	8,529
Total U.S. Department of Interior			<u>57,768</u>
<u>U.S. Department of Justice</u>			
Direct Programs State Criminal Alien Assistance Program (SCAAP)	16.606	2008-AP-BX-0387	25,569
State Criminal Alien Assistance Program (SCAAP)	16.606	2008-AP-BX-1221	6,028
State Criminal Alien Assistance Program (SCAAP)	16.606	2009-AP-BX-0021	5,558
Total CFDA # 16.606			<u>37,155</u>
Pass through State of Florida Office of the Attorney General Victims of Crime Act	16.575	V11151	34,913
Pass through Florida Department of Law Enforcement ARRA-Byrne-JAG Grant Law Enforcement Equipment	16.803	2010-ARRC-LEON-1-W7-227	314,188
Pass through Florida Department of Law Enforcement Byrne/JAG - Equipment	16.738	2012-JAGC-LEON-1-C4-137	14,929
Byrne-JAG Grant TPD Equipment	16.738	2011-JAGC-LEON-2-B2-050	39,815
Pass through City of Tallahassee City JAG Grant 2011-H5889-FL-DJ	16.738	2011-H5889-FL-DJ # 998416	76,735
Total CFDA # 16.738			<u>131,479</u>
Pass through Florida Department of Law Enforcement ARRA-Byrne-JAG Enhanced Pretrial GPS	16.804	2012-JAGC-LEON-2-C4-175	120,430
Pass through City of Tallahassee ARRA-Byrne Grant JAG Enhanced Pretrial GPS	16.804	2010-H8311-FL-DJ	3,222
Total CFDA # 16.804			<u>123,652</u>
<u>U.S. Department of State</u>			
Pass through Florida Department of State Voter Education Funding & Pollworker	90.401	Title I	30,012

(continued)

Leon County, Florida
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2012

FEDERAL AWARDS (continued)

Federal / State Agency Pass-through Entity <u>Federal Program / State Project</u>	CFDA or CSFA <u>Number</u>	Grant Contract <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>			
Pass through Florida Department of Environmental Protection Miccosukee Canopy Road Greenway	20.219	T2913	23,265
<u>U.S. Department of Energy</u>			
Direct Programs			
Energy Efficiency and Conservation Block Grant	81.128	ARE023	93,884
ARRA-Florida Energy and Climate Commission Grant	81.041	17732	478,756
Total U.S. Department of Energy			<u>572,640</u>
<u>U.S. Department of Health and Human Services</u>			
Pass through Florida Department of Revenue			
Child Support Enforcement-Service of Process	93.563	CSP37	17,450
Child Support Enforcement-Title IV D Incentive	93.563	Unknown	8,224
Title IV D - Child Support Enforcement	93.563	CD337	407,174
Total CFDA # 93.563			<u>432,848</u>
<u>Corporation for National and Community Service</u>			
Direct Program			
BEST Neighborhood Grant	94.021	Unknown	18,393
<u>U.S. Department of Homeland Security, Office of Domestic Preparedness</u>			
Pass through Florida Department of Economic Opportunities			
Post Disaster Redevelopment Plan Grant	97.039	Unknown	42,991
Pass through Executive Office of the Governor			
Joint Dispatch	97.039	11HM-3E-02-47-01-002	116,447
Total CFDA # 97.039			<u>159,438</u>
Pass through Florida Department of Economic Opportunities			
EMS Homeland Security Grant	97.044	EMW-2011-FO-00916	472,704
Pass through Florida Division of Emergency Management			
Issues 2,6,19 EOD SWAT, Aviation, Reg 2	97.067	12-DS-20-02-47-01-382	146,586
Issues 3,8,18,30 and 31	97.067	12-DS-9Z-02-47-01-246	747,813
Issue 36 - Rapid ID	97.067	13-DS-40-01-27-01-523	216,625
Issue #5 - DCA	97.067	10-DS-39-02-47-01-361	119,974
NRF/ICS Plan & Training - DCA	97.067	10-DS-39-02-47-01-360	60,377
Pass through Florida Department of Law Enforcement			
Flex-Sustain	97.067	2008-LETP-LEON-1-S3-011	78,782
Critical Infrastructure/Target Hardening	97.067	2011-SHSP-LEON-2-B9-005	18,021
Critical Infrastructure/School Safety Plan Update	97.067	2012-LETP-LEON-1-S3-088	79,991
Region 2 RLEX Project Manager	97.067	2011-SHSP-LEON-1-A8-016	25,404
Region 2 RLEX Project Manager	97.067	2011-SHSP-LEON-3-V3-097	48,458
Total CFDA # 97.067			<u>1,542,031</u>
<u>Federal Emergency Management Agency</u>			
Pass through Florida Department of Community Affairs			
Emergency Management Performance Grant	97.042	12-FG-R3-02-47-01-104	55,666
Emergency Management Performance Grant	97.042	13-FG-86-02-4-7-01-104	20,889
Total CFDA # 97.042			<u>76,555</u>
Total Expenditures of Federal Awards			<u>\$ 10,878,842</u>

(continued)

Leon County, Florida
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2012

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	<u>Expenditures</u>
STATE FINANCIAL ASSISTANCE			
<u>Florida Department of Agriculture & Consumer Services</u>			
Direct Project			
State Mosquito Control	42.003	014144	47,315
<u>Florida Department of State</u>			
Direct Projects			
Lake Jackson Branch Library Construction	45.020	06-PLC-08	500,000
State Aid to Libraries	45.030	12-ST-27	152,964
Total Florida Department of State			<u>652,964</u>
<u>Florida Housing Finance Corporation</u>			
Direct Projects			
State Housing Initiatives Partnership Program - FHOP	52.901	SHIP 10	120,973
State Housing Initiatives Partnership Program	52.901	SHIP 09	97,008
Total CSFA # 52.901			<u>217,981</u>
<u>Florida Department of Health</u>			
Direct Projects			
Emergency Medical Services County Grant	64.005	C0037	40,796
State EMS Matching Grant	64.003	M0004	9,629
Closing the Gap Grant - Maternal and Infant Mortality	64.056	C0002	84,225
Total Florida Department of Health			<u>134,650</u>
<u>State of Florida Division of Emergency Management</u>			
Emergency Management Base Grant	52.008	12-BG-05-02-47-01-037	71,844
Emergency Management Base Grant	52.008	13-BG-06-02-47-01-037	34,411
Total CSFA # 52.008			<u>106,255</u>
<u>State of Florida Division of Emergency Management</u>			
Hazardous Materials Planning & Prevention	31.067	12-CP-03-02-47-23-200	7,500
Hazardous Materials-Residual BCC funds	52.023	various	14,080
Total State of Florida Division of Emergency Management			<u>21,580</u>
Total Expenditures of State Financial Assistance			<u>\$ 1,180,745</u>

NOTES:

- (1) The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared on the modified accrual basis of accounting.
- (2) Housing loans originated since 2001 and outstanding at year end:

Community Development Block Grant-Entitlement	14.218		\$ 58,640
State Housing Initiatives Partnership Program	52.901		1,926,071
			<u>\$ 1,984,711</u>

- (3) There were no transfers to subrecipients during the fiscal year.

See independent auditors' report.

Leon County, Florida
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2012

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditor's report issued on compliance for major programs?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
		U.S. Department of Housing and Urban Development Pass through from Florida Department of Economic Opportunities
	14.228	CDBG Disaster Recovery Grants
		U.S. Department of Justice Pass through from Florida Department of Law Enforcement
	16.738	Edward Byrne Memorial Justice Assistance Grant
	16.803	ARRA-Edward Byrne Memorial Justice Assistance Grant
	16.804	ARRA-Edward Byrne Memorial Assistance Grant
		Pass-through from City of Tallahassee ARRA-Edward Byrne Memorial Assistance Grant
	16.804	
		U.S. Department of Energy Direct Program
	81.041	ARRA-Florida Energy and Climate Commission Grant
		U.S. Department of Health and Human Services Pass through from Florida Department of Revenue
	93.563	Title IV-D Child Support Enforcement Grant
		U.S. Department of Homeland Security Pass through from Florida Department of Economic Opportunities
	97.044	EMS Homeland Security Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$326,365
Auditee qualified as low-risk auditee?	Yes

Section II -- Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Section III -- Federal Award Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133.

See independent auditors' report.

Leon County, Florida
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2012

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over major projects:	
Significant deficiency(ies) identified?	No
Significant deficiency(ies) identified considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	No

State Financial Assistance Awards

Internal control over major projects:	
Significant deficiency(ies) identified?	No
Significant deficiency(ies) identified considered to be material weaknesses?	None
Type of auditors' report issued on compliance for major projects?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with <i>Rules of the Auditor General</i> , Chapter 10.554(1)(1)(4)?	No
Findings required to be reported in a management letter pursuant to <i>Rules of the Auditor General</i> , Chapter 10.554(1)(i)?	None reported

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Project</u>
		Florida Department of State
	45.020	Lake Jackson Branch Library Construction
	45.030	State Aid to Libraries

Dollar threshold used to distinguish between Type A and Type B projects:	\$300,000
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Section II -- Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Section III -- State Financial Assistance Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with *Rules of the Auditor General*, Chapter 10.554(1)(1)(4).

See independent auditors' report.

Leon County, Florida
Schedule of Findings and Questioned Costs

Year ended September 30, 2012

Prior Year Findings and Questioned Costs – Major Federal and State Projects Award Programs

None.

MANAGEMENT LETTER

Honorable Board of County Commissioners
Leon County, Florida

We have audited the financial statements of Leon County, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 5, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 5, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address 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 except as noted below under the heading Prior Year Findings and Recommendations.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that Leon County, Florida complied with Section 218.415, *Florida Statutes*.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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 have any such findings.

- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides 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 did not have any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Leon County, Florida is a political subdivision of the State of Florida. Leon County, Florida included the following component unit: The Housing Finance Authority of Leon County, which was authorized pursuant to Chapter 159, Part IV, of the *Florida Statutes* and was created by Leon County Ordinance 80-39.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with our audit, we determined that Leon County, Florida did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for Leon County, Florida for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor Leon County, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Prior Year Findings and Recommendations

11-01 Timing of Juror Payments

During our testing of compliance with this statute during the current year, we noted that payments for one jury service date were not made within the statutory requirement. We recommend that the Clerk's office comply with the statute and implement a procedure to monitor such compliance. See Current Year Findings and Recommendation number 12-01.

Current Year Findings and Recommendations

12-01 Timing of Juror Payments

During our testing of compliance with this statute during the current year, we noted that payments for three jury service dates were not made within the statutory requirement. We recommend that the Clerk's office comply with the statute and implement a procedure to monitor such compliance.

Management Response:

Payments to jurors were made within the 20 day statute requirement 98.4 % of the time. We had an earlier quarter miss the deadline, because of system issues related to the new jury management system. The new jury management system is fully implemented and missing the 20 day requirement in the last quarter was a process issue, not a system issue, related to a high profile, multiple day jury selection. We will work with CIS (Clerk Information Systems) department to develop an aging report that will go to CIS and the Court Supervisor of the jury area, so that they are alerted before the 20 day deadline. We should then have time to assign additional staff, require overtime, or take corrective steps to meet the deadline.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, 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.

March 5, 2013