

Leon County, Florida



Annual Financial Report
For The Fiscal Year Ended September 30, 2011

Prepared by the
Department of Finance

Leon County, Florida

Annual Financial Report

Year ended September 30, 2011

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Leon County, Florida

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Year ended September 30, 2011

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C. Management Letter

Letter to the Leon County Board of County Commissioners dated February 15, 201296

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, 2011, 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, 2011, 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 February 15, 2012, 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.

Page Two

The management's discussion and analysis on pages 3 through 13 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 an opinion 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.

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

February 15, 2012

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, 2011. 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 xix), 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 14 and 15-16, 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	Fund Financial Statements	
			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 operated 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 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 \$315.3 million as compared to \$303.5 million a year ago; this is an increase of \$11.8 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.

Condensed Statement of Net Assets (continued)

Table 2 below presents the County’s Condensed Statement of Net Assets as of September 30, 2011 and 2010, 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$200,561	\$215,412	\$18,783	\$18,648	\$219,344	\$234,060
Capital assets	333,346	327,215	12,802	14,185	346,148	341,400
Total assets	<u>533,907</u>	<u>542,627</u>	<u>31,585</u>	<u>32,833</u>	<u>565,492</u>	<u>575,460</u>
Current liabilities	37,158	36,590	77	269	37,235	36,859
Noncurrent liabilities	83,816	90,180	11,285	11,169	95,101	101,349
Total liabilities	<u>120,974</u>	<u>126,770</u>	<u>11,362</u>	<u>11,438</u>	<u>132,336</u>	<u>138,208</u>
Net assets:						
Invested in capital assets, net of related debt	302,468	289,310	12,802	14,185	315,270	303,495
Unrestricted	110,465	126,547	7,421	7,210	117,886	133,757
*Total net assets	<u>\$412,933</u>	<u>\$415,857</u>	<u>\$20,223</u>	<u>\$21,395</u>	<u>\$433,156</u>	<u>\$437,252</u>

**Differences due to rounding*

Condensed Statement of Activities

Table 3 on page 8 presents the County’s condensed Statement of Activities for the fiscal years ended September 30, 2011 and 2010, 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 \$2.924 million, or 0.7 percent, and the net assets of the business-type activities decreased by \$1.173 million, or 5.5 percent.

The County just completed its eighth 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 \$6.2 million in FY 2010. 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 eighth full year of the tax, with revenues in the amount of \$3.9 million in FY 2011 and \$4.2 million FY 2010. 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 11 decreased by 5.6%, and there may be little or no increase in property taxes in future years.

The Board of County Commissioners (BOCC) Investment Policy is very risk averse and places a premium on security. With the effective yield rate of the portfolio averaging 1.48% for the year, investment earnings decreased by \$2.6 million to \$3.1 million. This decrease was attributable to the lower interest rates and less money invested 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 2010 to 2011
	2011	2010	2011	2010	2011	2010	
Revenues							
Program Revenues:							
Charges for services	\$ 37,018	\$ 24,869	\$ 7,264	\$ 7,665	\$ 44,282	\$ 32,534	36%
Operating grants & contributions	13,870	18,088	—	—	13,870	18,088	-23%
Capital grants & contributions	2,856	2,701	—	—	2,856	2,701	6%
Total Program Revenues	53,744	45,658	7,264	7,665	61,008	53,323	14%
General Revenues:							
Property taxes	111,710	118,365	—	—	111,710	118,365	-6%
Local option taxes	10,802	10,455	—	—	10,802	10,455	3%
Franchise taxes	339	329	—	—	339	329	3%
Communications services taxes	3,907	4,201	—	—	3,907	4,201	-7%
Motor fuel taxes	1,386	1,345	—	—	1,386	1,345	3%
Utility services taxes	6,394	6,201	—	—	6,394	6,201	3%
Other taxes	—	—	1,393	1,441	1,393	1,441	-3%
State shared revenues	20,262	19,874	—	—	20,262	19,874	2%
Investment earnings	2,335	5,204	431	483	2,766	5,687	-51%
Miscellaneous revenues	3,194	9,561	260	248	3,454	9,809	-65%
Total General Revenues	160,329	175,535	2,084	2,172	162,413	177,707	-9%
Total Revenues	214,073	221,193	9,348	9,837	223,421	231,030	-3%
Program Expenses							
General government	27,650	34,303	—	—	27,650	34,303	-19%
Public safety	99,170	93,050	—	—	99,170	93,050	7%
Physical environment	12,974	12,101	10,332	10,760	23,306	22,861	2%
Transportation	29,785	36,118	—	—	29,785	36,118	-18%
Economic environment	5,562	5,312	—	—	5,562	5,312	5%
Human services	10,412	9,493	—	—	10,412	9,493	10%
Culture and recreation	11,638	11,644	—	—	11,638	11,644	0%
Judicial	16,222	15,341	—	—	16,222	15,341	6%
Interest on long-term debt	3,773	4,066	—	—	3,773	4,006	-6%
*Total Program Expenses	217,186	221,428	10,332	10,760	227,518	232,188	-2%
Deficiency before transfers (net)	(3,113)	(235)	(984)	(923)	(4,097)	(1,158)	253%
Transfers	189	(1,329)	(189)	1,329	—	—	
Change In Net Assets	(2,924)	(1,564)	(1,173)	406	(4,097)	(1,158)	253%
Beginning net assets	415,857	417,421	21,395	20,989	437,252	438,411	0%
Ending net assets	\$ 412,933	\$415,857	\$20,222	\$21,395	\$ 433,155	\$ 437,253	-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 increased from fiscal year 2010 to fiscal year 2011 by 4 percent. It should be considered normal for the activities and associated program revenues to fluctuate on average plus or minus 4 to 5 percent from year to year.

Table 4 **Program Expenses and Revenues**
for Governmental Activities
For the Fiscal Year Ended September 30
(in thousands)

County Programs	Program Expenses 2011	Less Program Revenues 2011	Net Program Expenses (a)		Program Revenues as a Percentage Program Expenses	
			2011	2010	2011	2010
General government	\$ 27,650	\$ 12,4623	\$ 15,187	\$ 26,012	45%	24%
Public safety	99,170	25,011	74,159	74,088	25%	20%
Physical environment	12,974	3,208	9,766	9,604	25%	21%
Transportation	29,785	672	29,113	34,023	2%	6%
Economic environment	5,562	704	4,858	4,491	13%	15%
Human services	10,412	464	9,948	9,217	4%	3%
Culture and recreation	11,638	436	11,202	8,529	4%	27%
Judicial	16,222	10,786	5,436	5,742	67%	63%
Interest on long-term debt	3,773	–	3,773	4,066	N/A	N/A
*Total governmental activities	<u>\$ 217,186</u>	<u>\$ 53,744</u>	<u>\$ 163,442</u>	<u>\$ 175,772</u>	<u>25%</u>	<u>21%</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 2011, because in FY 2011 the County chose to spend a portion of retained earnings 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)						
	Program Expenses	Less	Net Program		Program Revenues as a Percentage of Program Expenses	
		Program Revenues	Expenses		2011	2010
	2011	2011	2011	2010	2011	2010
County Programs						
Physical environment	\$ 10,332	\$ 7,264	\$3,068	\$3,096	70%	71%

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 2011 by \$412,933,367, as compared to \$415,857,230 for fiscal year 2010, for governmental activities. The assets for business-type activities exceeded its liabilities (net assets) at the close of fiscal year 2011 by \$20,222,804 as compared to \$21,395,479 for fiscal year 2010. Please see the Statement of Activities discussed previously for an explanation of the differences above.
- The County's total net assets decreased by \$4,096,538 during fiscal year 2011, as compared to \$1,157,966 decrease in fiscal year 2010. Net assets of governmental activities decreased by \$2,923,863 in fiscal year 2011, as compared to a decrease of \$1,564,206 in 2010. Net assets of business-type activities decreased by \$1,172,675 in 2011, as compared to an increase of \$406,240 in 2010. The decrease this year 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.

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 \$165,085,107 for fiscal year 2011, as compared to \$181,194,162 for fiscal year 2010. This reduction is planned appropriated expenditures using Fund Balance in primarily the Capital Improvement Fund and the Local Option Sales Tax Fund. All fund balances recognize the GASB 54 definitions.

General Fund

Fund balance at September 30, 2011 has increased to a total of \$23,208,670, as compared to \$20,247,912 for September 30, 2010. More than one-half of the increase (\$1,503,417) relates to the transfer of the Amtrak Station Fund to the General Fund. The remaining increase relates to the fact that expenditures in General government were under budget.

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 \$17,869,006 for FY 2011 versus \$18,101,502 for FY 2010. The Non-Countywide fund balance is \$5,339,664 for FY 2011, versus \$2,146,410 for FY 2010.

Fine & Forfeiture Fund

Fund balance at September 30, 2011 totaled \$13,864,142, as compared to \$12,610,387 for September 30, 2010. This is an increase of \$1,253,755 for the fiscal year that can be primarily attributable to transfers received from the Sheriff, because their expenditures were less due to legislative changes requiring employees to make a three percent contribution for their retirement.

Grants Fund

The fund balance at September 30, 2011 totaled \$1,791,191, as compared to the 2010 balance of \$1,788,348. This was a small increase of \$2,843. 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 first year that this fund is considered a major fund. The net change in fund balance is \$642,845 with revenues above budgeted revenues by \$339,068 and expenditures and transfers below budget by \$303,777.

Special Assessment Paving Fund

This fund accounts for paving projects that are partially paid for through assessing homeowners wanting the street improvements. This was not a major fund in the prior year. Revenues received were \$105,018 more than budgeted. Therefore, the amount of actual fund balance used was less than appropriated by \$105,018. The ending fund balance is \$603,458.

Capital Improvement Fund

Fund balance at September 30, 2011 totaled \$45,905,556, as compared to \$56,980,816 for September 30, 2010. This was a decrease of \$11,075,260. 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, 2011 totaled \$26,154,707, as compared to \$33,384,589 for September 30, 2010. This was a decrease of \$7,229,882. 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.

Extended Local Option Sales Tax

Fund balance at September 30, 2011 is \$7,748,941, as compared to \$8,246,392 for September 30, 2010. This sales tax was extended beginning in 2004 for various road, storm water and park improvements. With the economy down, the Board made an effort to put funds into the local economy for projects. The fund balance was reduced as the appropriated projects came to fruition.

Enterprise Funds

The County's proprietary funds reported net assets of \$20,222,804 for September 30, 2011, as compared to \$21,395,479 for September 30, 2010, which is a decrease of \$1,172,675. This decrease was caused by the closing of the Amtrak Station Fund to the General Fund. The Amtrak fund will no longer be accounted for as a proprietary fund, because the revenues are not expected to be sufficient to cover the expenses. The transfer to the General Fund of the \$1,487,709 of the Amtrak Fund's net assets reduced the total proprietary net assets. Otherwise the net assets would have increased slightly.

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 \$333,346,323 in capital assets for governmental activities and \$12,802,302 in capital assets for business-type activities at September 30, 2011, versus \$327,215,408 for governmental and \$14,184,969 for business-type activities at fiscal year ending September 30, 2010. Again, the reduction in Capital assets in the business-type activities is primarily affected by the closing of the Amtrak Station Fund. 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, 2011, the County had \$73,262,830 of outstanding bonded debt, as compared to \$78,595,000 at September 30, 2010. During the year the County refunded the 1998B bonds, so the debt service for the next three years FY 11, FY 12, and FY 13 will benefit from the lower interest rates obtained in the 2011 Refunding issue. 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 2011. The following information indicates that the economy will take some time before it improves as we enter FY 2012:

- The estimated population in Leon County increased 0.3% from 275,487 to 276,278 during FY 2010/2011.
- Residential building permits issued in Leon County increased only slightly in 2011. The number of single-family home permits fell 16.7%, but attached single-family units (townhomes) permits increased slightly (4%), and multi-family permits increased to 306 from the lowest ever last year (27 permits). The year 2010 saw the fewest permits issued for new construction of housing units in a year in Leon County since 1970. Because of the increase in multifamily units, FY 11 was slightly better than 2010.
- The dollar value of commercial permits fell by 51.9%, after having fallen by 13.8% from 2009 to 2010.
- Leon County has seen a small decrease in vacancy rates for apartment rental units. Vacancies decreased slightly from 11.2% in 2009 to 10.6% for 2010, 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, 2011

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets:				
Current assets:				
Cash	\$ 12,999,105	\$ 1,417	\$ 13,000,522	\$ 466,107
Investments	169,991,701	11,159,944	181,151,645	370,703
Receivables	10,213,893	642,462	10,856,355	34,475
Receivables from other governments	5,864,206	-	5,864,206	-
Inventory	684,696	8,248	692,944	-
Other assets	807,258	957	808,215	-
Total current assets	<u>200,560,859</u>	<u>11,813,028</u>	<u>212,373,887</u>	<u>871,285</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	-	6,970,100	6,970,100	-
Capital assets:				
Land and construction in progress				
nondepreciable	74,763,685	1,809,844	76,573,529	-
Depreciable (net)	258,582,638	10,992,470	269,575,108	-
Total noncurrent assets	<u>333,346,323</u>	<u>19,772,414</u>	<u>353,118,737</u>	<u>-</u>
Total assets	<u>533,907,182</u>	<u>31,585,442</u>	<u>565,492,624</u>	<u>871,285</u>
Liabilities:				
Current liabilities:				
Accounts payable	17,357,463	438,850	17,796,313	385
Payable to other governments	382,448	49	382,497	-
Internal balances	421,917	(421,917)	-	-
Accrued compensated absences	4,306,055	60,294	4,366,349	-
Unearned revenues	5,699,361	-	5,699,361	-
Bonds and notes payable	6,018,960	-	6,018,960	-
Other current liabilities	2,972,000	-	2,972,000	-
Total current liabilities	<u>37,158,204</u>	<u>77,276</u>	<u>37,235,480</u>	<u>385</u>
Noncurrent liabilities:				
Deposits	708,704	-	708,704	-
Estimated liability for landfill closure and postclosure care costs	-	11,105,674	11,105,674	-
Arbitrage rebate liability	25,000	-	25,000	-
Accrued compensated absences	9,532,463	108,422	9,640,885	-
Other Postemployment Benefits Obligation	3,434,874	71,266	3,506,140	-
Bonds and notes payable	70,114,570	-	70,114,570	-
Total noncurrent liabilities	<u>83,815,611</u>	<u>11,285,362</u>	<u>95,100,973</u>	<u>-</u>
Total liabilities	<u>120,973,815</u>	<u>11,362,638</u>	<u>132,336,453</u>	<u>385</u>
Net assets:				
Invested in capital assets, net of related debt	302,467,837	12,802,314	315,270,151	-
Unrestricted	110,465,530	7,420,490	117,886,020	870,900
Total net assets	<u>\$ 412,933,367</u>	<u>\$ 20,222,804</u>	<u>\$ 433,156,171</u>	<u>\$ 870,900</u>

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

Leon County, Florida
Statement of Activities
Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operational Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 27,649,708	\$ 10,727,593	\$ 523,450	\$ 1,211,511
Public safety	99,170,093	20,423,884	4,453,971	133,293
Physical environment	12,973,691	1,005,546	784,822	1,417,210
Transportation	29,785,339	617,896	-	54,321
Economic environment	5,562,142	623,328	80,855	-
Human services	10,411,526	-	464,279	-
Culture and recreation	11,638,097	208,031	188,126	39,626
Judicial	16,222,358	3,411,676	7,374,553	-
Interest on long term debt	3,772,885	-	-	-
Total governmental activities	<u>217,185,839</u>	<u>37,017,954</u>	<u>13,870,056</u>	<u>2,855,961</u>
Business-type activities:				
Landfill	10,332,354	7,264,087	-	-
Amtrack Station	-	-	-	-
Total business-type activities	<u>10,332,354</u>	<u>7,264,087</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 227,518,193</u>	<u>\$ 44,282,041</u>	<u>\$ 13,870,056</u>	<u>\$ 2,855,961</u>
Component Unit:				
Economic environment	37,052	34,619	-	-
Total component unit	<u>\$ 37,052</u>	<u>\$ 34,619</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:
Property taxes
Local option taxes
Franchise taxes
Communications services taxes
Motor fuel taxes
Utility services taxes
Other taxes
State shared revenues
Investment earnings
Miscellaneous revenues
Transfers
Total general revenues and transfers
Change 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**

Governmental Activities	Business-type Activities	Total	Component Unit Housing Finance Authority
\$ (15,187,154)	\$ -	\$ (15,187,154)	\$ -
(74,158,945)	-	(74,158,945)	-
(9,766,113)	-	(9,766,113)	-
(29,113,122)	-	(29,113,122)	-
(4,857,959)	-	(4,857,959)	-
(9,947,247)	-	(9,947,247)	-
(11,202,314)	-	(11,202,314)	-
(5,436,129)	-	(5,436,129)	-
(3,772,885)	-	(3,772,885)	-
<u>(163,441,868)</u>	<u>-</u>	<u>(163,441,868)</u>	<u>-</u>
-	(3,068,267)	(3,068,267)	-
-	-	-	-
<u>-</u>	<u>(3,068,267)</u>	<u>(3,068,267)</u>	<u>-</u>
<u>(163,441,868)</u>	<u>(3,068,267)</u>	<u>(166,510,135)</u>	<u>-</u>
-	-	-	(2,433)
-	-	-	(2,433)
111,710,392	-	111,710,392	-
10,801,827	-	10,801,827	-
338,515	-	338,515	-
3,907,081	-	3,907,081	-
1,386,008	-	1,386,008	-
6,393,823	-	6,393,823	-
-	1,393,223	1,393,223	-
20,262,388	-	20,262,388	-
2,335,069	431,698	2,766,767	265,715
3,193,573	260,000	3,453,573	368,771
189,329	(189,329)	-	-
<u>160,518,005</u>	<u>1,895,592</u>	<u>162,413,597</u>	<u>634,486</u>
(2,923,863)	(1,172,675)	(4,096,538)	632,053
415,857,230	21,395,479	437,252,709	238,847
<u>\$ 412,933,367</u>	<u>\$ 20,222,804</u>	<u>\$ 433,156,171</u>	<u>\$ 870,900</u>

Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2011

	General	Fine & Forfeiture	Grants	Fire Rescue Services	Special Assessment Paving
Assets:					
Cash	\$ 4,974,674	\$ 358,050	\$ 96,726	\$ 1,039	\$ 2,797
Investments	22,456,201	13,120,486	3,571,049	1,425,748	567,217
Receivables:					
Accounts	101,947	24,792	6,590	2,630	33,537
Intergovernmental	1,449,096	9,484	1,166,491	-	-
Special assessments	-	-	-	5,513,038	2,215,324
Due from other funds	1,510,797	812,952	-	-	-
Inventory	602,073	-	-	-	-
Other assets	-	-	-	-	-
Advances to other funds	38,368	-	-	-	-
Total assets	<u>\$ 31,133,156</u>	<u>\$ 14,325,764</u>	<u>\$ 4,840,856</u>	<u>\$ 6,942,455</u>	<u>\$ 2,818,875</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 1,989,985	\$ 90,595	\$ 11,755	\$ 6,093,982	\$ -
Accrued liabilities	3,837,258	-	4,825	-	-
Intergovernmental payables	256,669	-	80,994	-	-
Due to other funds	1,771,384	-	128,456	609	-
Deposits	69,190	371,027	-	-	-
Unearned revenues	-	-	2,823,635	-	2,215,417
Total liabilities	<u>7,924,486</u>	<u>461,622</u>	<u>3,049,665</u>	<u>6,094,591</u>	<u>2,215,417</u>
Fund balances:					
Nonspendable	616,561	-	-	-	122,388
Restricted	-	-	1,351,838	822,864	-
Committed	413,897	-	-	-	481,070
Assigned	9,190,722	13,864,142	439,353	25,000	-
Unassigned	12,987,490	-	-	-	-
Total fund balances	<u>23,208,670</u>	<u>13,864,142</u>	<u>1,791,191</u>	<u>847,864</u>	<u>603,458</u>
Total liabilities and fund balances	<u>\$ 31,133,156</u>	<u>\$ 14,325,764</u>	<u>\$ 4,840,856</u>	<u>\$ 6,942,455</u>	<u>\$ 2,818,875</u>

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

Capital Improvement	Local Option Sales Tax	Extended Local Option Sales Tax	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,845,653	\$ -	\$ 5,643,491	\$ 12,922,430
46,334,525	24,298,303	9,659,950	38,107,273	159,540,752
135,507	44,676	17,598	2,067,568	2,434,845
-	-	711,304	2,520,017	5,856,392
-	-	-	31,370	7,759,732
-	-	-	937,058	3,260,807
-	-	-	1,410	603,483
-	-	-	4,922	4,922
-	-	-	-	38,368
<u>\$ 46,470,032</u>	<u>\$ 26,188,632</u>	<u>\$ 10,388,852</u>	<u>\$ 49,313,109</u>	<u>\$ 192,421,731</u>
\$ 414,551	\$ 33,925	\$ 2,639,911	\$ 1,823,011	\$ 13,097,715
-	-	-	345,506	4,187,589
-	-	-	44,785	382,448
-	-	-	1,360,358	3,260,807
149,925	-	-	118,562	708,704
-	-	-	660,309	5,699,361
<u>564,476</u>	<u>33,925</u>	<u>2,639,911</u>	<u>4,352,531</u>	<u>27,336,624</u>
-	-	-	1,676,572	2,415,521
-	509,574	-	13,589,464	16,273,740
34,034,965	315,951	827,273	13,380,724	49,453,880
11,870,591	25,329,182	8,660,014	16,561,261	85,940,265
-	-	(1,738,346)	(247,443)	11,001,701
<u>45,905,556</u>	<u>26,154,707</u>	<u>7,748,941</u>	<u>44,960,578</u>	<u>165,085,107</u>
<u>\$ 46,470,032</u>	<u>\$ 26,188,632</u>	<u>\$ 10,388,852</u>	<u>\$ 49,313,109</u>	<u>\$ 192,421,731</u>

Leon County, Florida

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

September 30, 2011

Total fund balances of governmental funds \$ 165,085,107

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 in the funds.

Governmental capital assets	\$ 606,120,990	
Less accumulated depreciation	<u>(272,774,667)</u>	333,346,323

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Bond costs	1,650,902	
Less current year amortization	<u>(185,103)</u>	1,465,799

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	(76,133,530)	
Discount/(Premium)	(710,853)	
Current year amortization	47,390	
Compensated absences	(13,838,518)	
Other Postemployment Benefits	(3,414,577)	
Arbitrage rebate liability	<u>(25,000)</u>	(94,075,088)

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.

7,111,226

Total net assets of governmental activities

\$ 412,933,367

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

Leon County, Florida

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

Year Ended September 30, 2011

	<u>General</u>	<u>Fine & Forfeiture</u>	<u>Grants</u>	<u>Fire Rescue Services</u>	<u>Special Assessment Paving</u>
Revenues:					
Taxes	\$ 44,494,988	\$ 63,557,883	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	16,521,058	39,686	4,135,110	-	-
Charges for services	12,288,353	856,938	46,623	7,817,390	-
Fines and forfeitures	-	297,177	-	-	-
Interest	32,529	350,475	37,552	33,485	130,785
Miscellaneous	996,961	-	89,800	-	221,461
Total revenues	<u>74,333,889</u>	<u>65,102,159</u>	<u>4,309,085</u>	<u>7,850,875</u>	<u>352,246</u>
Expenditures:					
Current:					
General government	31,777,004	-	1,214,998	-	-
Public safety	60,833,400	-	710,219	7,171,039	-
Physical environment	2,288,179	-	1,459,351	-	-
Transportation	-	-	61,506	-	-
Economic environment	2,382,840	-	80,854	-	-
Human services	7,424,815	100,000	464,280	-	-
Culture and recreation	6,300,195	-	93,488	-	-
Judicial	5,837,425	1,798,369	337,568	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Other debt service costs	-	-	-	-	-
Total expenditures	<u>116,843,858</u>	<u>1,898,369</u>	<u>4,422,264</u>	<u>7,171,039</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,509,969)</u>	<u>63,203,790</u>	<u>(113,179)</u>	<u>679,836</u>	<u>352,246</u>
Other financing sources (uses):					
Transfers in	64,643,227	771,977	537,214	-	-
Transfers out	(19,172,500)	(62,722,012)	(421,192)	(36,991)	(465,265)
Total other financing sources (uses)	<u>45,470,727</u>	<u>(61,950,035)</u>	<u>116,022</u>	<u>(36,991)</u>	<u>(465,265)</u>
Net change in fund balance	2,960,758	1,253,755	2,843	642,845	(113,019)
Fund balances, October 1	<u>20,247,912</u>	<u>12,610,387</u>	<u>1,788,348</u>	<u>205,019</u>	<u>716,477</u>
Fund balances, September 30	<u>\$ 23,208,670</u>	<u>\$ 13,864,142</u>	<u>\$ 1,791,191</u>	<u>\$ 847,864</u>	<u>\$ 603,458</u>

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

Capital Improvement	Local Option Sales Tax	Extended Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,439,956	\$ 23,044,819	\$ 134,537,646
-	-	-	1,704,998	1,704,998
-	-	-	16,292,551	36,988,405
-	-	455,538	13,292,789	34,757,631
-	-	-	642,437	939,614
604,443	297,713	92,847	611,756	2,191,585
-	-	-	1,885,351	3,193,573
<u>604,443</u>	<u>297,713</u>	<u>3,988,341</u>	<u>57,474,701</u>	<u>214,313,452</u>
1,721,135	-	-	3,006,676	37,719,813
1,171,132	-	-	24,717,777	94,603,567
1,456,949	-	653,984	6,492,683	12,351,146
2,126,425	7,527,595	3,831,807	13,994,186	27,541,519
-	-	-	3,107,566	5,571,260
459,634	-	-	2,032,431	10,481,160
5,785,799	-	-	4,459,557	16,639,039
407,910	-	-	7,962,687	16,343,959
-	-	-	5,800,673	5,800,673
-	-	-	3,529,776	3,529,776
-	-	-	356	356
<u>13,128,984</u>	<u>7,527,595</u>	<u>4,485,791</u>	<u>75,104,368</u>	<u>230,582,268</u>
<u>(12,524,541)</u>	<u>(7,229,882)</u>	<u>(497,450)</u>	<u>(17,629,667)</u>	<u>(16,268,816)</u>
1,873,808	-	-	25,042,132	92,868,358
(424,527)	-	-	(9,466,107)	(92,708,594)
<u>1,449,281</u>	<u>-</u>	<u>-</u>	<u>15,576,025</u>	<u>159,764</u>
(11,075,260)	(7,229,882)	(497,450)	(2,053,642)	(16,109,052)
<u>56,980,816</u>	<u>33,384,589</u>	<u>8,246,391</u>	<u>47,014,220</u>	<u>181,194,159</u>
<u>\$ 45,905,556</u>	<u>\$ 26,154,707</u>	<u>\$ 7,748,941</u>	<u>\$ 44,960,578</u>	<u>\$ 165,085,107</u>

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

Year ended September 30, 2011

Net change in fund balances - total governmental funds \$ (16,109,052)

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	\$ 24,513,686	
Less current year depreciation	<u>(18,382,771)</u>	6,130,915

Bond Proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statements
of net assets. Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities in
the statement of net assets. This is the amount by which proceeds
exceed repayments, net of bond refunding costs.

Principal payments		5,695,633
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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	(44,398)	
Amortization of current year deferred charge on refunding	(140,705)	
Change in Other Postemployment Benefits	(930,286)	
Change in long-term compensated absence	<u>1,384,487</u>	316,488

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 (\$46,214 was included with business-type activities).

1,042,153

Changes in net assets of governmental activities \$ (2,923,863)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 56,992,752	\$ 56,992,752	\$ 44,494,988	\$ (12,497,764)
Intergovernmental	15,658,261	15,647,043	16,521,058	874,015
Charges for services	4,182,162	4,131,470	12,288,353	8,156,883
Interest	476,698	465,825	32,529	(433,296)
Miscellaneous	247,615	243,865	996,961	753,096
Total revenues	<u>77,557,488</u>	<u>77,480,955</u>	<u>74,333,889</u>	<u>(3,147,066)</u>
Expenditures:				
Current:				
General government	37,820,999	34,392,939	31,777,004	2,615,935
Public safety	60,674,239	60,594,239	60,833,400	(239,161)
Physical environment	2,461,564	2,408,269	2,288,179	120,090
Economic environment	2,463,296	2,401,143	2,382,840	18,303
Human services	7,743,448	7,488,469	7,424,815	63,654
Culture and recreation	6,975,403	6,923,041	6,300,195	622,846
Judicial	3,974,356	3,810,755	5,837,425	(2,026,670)
Total expenditures	<u>122,113,305</u>	<u>118,018,855</u>	<u>116,843,858</u>	<u>1,174,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,555,817)</u>	<u>(40,537,900)</u>	<u>(42,509,969)</u>	<u>(1,972,069)</u>
Other financing sources (uses):				
Transfers in	74,667,619	74,459,542	64,643,227	(9,816,315)
Transfers out	(37,615,104)	(37,608,224)	(19,172,500)	18,435,724
Total other financing sources (uses)	<u>37,052,515</u>	<u>36,851,318</u>	<u>45,470,727</u>	<u>8,619,409</u>
Net change in fund balance	(7,503,302)	(3,686,582)	2,960,758	6,647,340
Fund balances, October 1	<u>20,247,912</u>	<u>20,247,912</u>	<u>20,247,912</u>	<u>-</u>
Fund balances, September 30	<u>\$ 12,744,610</u>	<u>\$ 16,561,330</u>	<u>\$ 23,208,670</u>	<u>\$ 6,647,340</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 and Forfeiture Fund

Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 63,301,014	\$ 63,301,014	\$ 63,557,883	\$ 256,869
Intergovernmental	11,400	11,400	39,686	28,286
Charges for services	1,208,300	1,208,300	856,938	(351,362)
Fines and forfeitures	136,800	136,800	297,177	160,377
Interest	285,760	285,760	350,475	64,715
Total revenues	<u>64,943,274</u>	<u>64,943,274</u>	<u>65,102,159</u>	<u>158,885</u>
Expenditures:				
Human services	100,000	300,000	100,000	200,000
Judicial	<u>2,499,021</u>	<u>2,513,571</u>	<u>1,798,369</u>	<u>715,202</u>
Total expenditures	<u>2,599,021</u>	<u>2,813,571</u>	<u>1,898,369</u>	<u>915,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,344,253</u>	<u>62,129,703</u>	<u>63,203,790</u>	<u>1,074,087</u>
Other financing sources (uses):				
Transfers in	-	17,300	771,977	754,677
Transfers out	<u>(62,310,678)</u>	<u>(62,310,678)</u>	<u>(62,722,012)</u>	<u>(411,334)</u>
Total other financing sources (uses)	<u>(62,310,678)</u>	<u>(62,293,378)</u>	<u>(61,950,035)</u>	<u>343,343</u>
Net change in fund balance	33,575	(163,675)	1,253,755	1,417,430
Fund balances, October 1	<u>12,610,387</u>	<u>12,610,387</u>	<u>12,610,387</u>	<u>-</u>
Fund balances, September 30	<u>\$ 12,643,962</u>	<u>\$ 12,446,712</u>	<u>\$ 13,864,142</u>	<u>\$ 1,417,430</u>

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

Leon County, Florida

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

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental	\$ 342,292	\$ 18,961,281	\$ 4,135,110	\$ (14,826,171)
Charges for services	109,725	189,981	46,623	(143,358)
Interest	-	1,130	37,552	36,422
Miscellaneous	-	1,530,262	89,800	(1,440,462)
Total revenues	452,017	20,682,654	4,309,085	(16,373,569)
Expenditures:				
General government	-	1,364,555	1,214,998	149,557
Public safety	611,061	4,710,347	710,219	4,000,128
Physical environment	-	10,038,191	1,459,351	8,578,840
Transportation	-	1,428,713	61,506	1,367,207
Economic environment	-	381,156	80,854	300,302
Human services	-	1,852,112	464,280	1,387,832
Culture and recreation	-	1,099,584	93,488	1,006,096
Judicial	-	448,928	337,568	111,360
Total expenditures	611,061	21,323,586	4,422,264	16,901,322
Excess (deficiency) of revenues over (under) expenditures	(159,044)	(640,932)	(113,179)	527,753
Other financing sources (uses):				
Transfers in	250,694	637,764	537,214	(100,550)
Transfers out	(91,650)	(347,595)	(421,192)	(73,597)
Total other financing sources (uses)	159,044	290,169	116,022	(174,147)
Net change in fund balance	-	(350,763)	2,843	353,606
Fund balances, October 1	1,788,348	1,788,348	1,788,348	-
Fund balances, September 30	\$ 1,788,348	\$ 1,437,585	\$ 1,791,191	\$ 353,606

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

Leon County, Florida

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

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Charges for services	\$ 7,511,807	\$ 7,511,807	\$ 7,817,390	\$ 305,583
Interest	-	-	33,485	33,485
Total revenues	<u>7,511,807</u>	<u>7,511,807</u>	<u>7,850,875</u>	<u>339,068</u>
Expenditures:				
Public safety	<u>7,474,563</u>	<u>7,474,563</u>	<u>7,171,039</u>	<u>303,524</u>
Total expenditures	<u>7,474,563</u>	<u>7,474,563</u>	<u>7,171,039</u>	<u>303,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,244</u>	<u>37,244</u>	<u>679,836</u>	<u>642,592</u>
Other financing sources (uses):				
Transfers out	<u>(37,244)</u>	<u>(37,244)</u>	<u>(36,991)</u>	<u>253</u>
Total other financing sources (uses)	<u>(37,244)</u>	<u>(37,244)</u>	<u>(36,991)</u>	<u>253</u>
Net change in fund balance	-	-	642,845	642,845
Fund balances, October 1	<u>205,019</u>	<u>205,019</u>	<u>205,019</u>	<u>-</u>
Fund balances, September 30	<u>\$ 205,019</u>	<u>\$ 205,019</u>	<u>\$ 847,864</u>	<u>\$ 642,845</u>

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

Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Assessment Paving Fund

Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 98,879	\$ 98,879	\$ 130,785	\$ 31,906
Miscellaneous	148,349	148,349	221,461	73,112
Total revenues	<u>247,228</u>	<u>247,228</u>	<u>352,246</u>	<u>105,018</u>
Other financing sources (uses):				
Transfers out	<u>(247,228)</u>	<u>(465,266)</u>	<u>(465,265)</u>	<u>1</u>
Total other financing sources (uses)	<u>(247,228)</u>	<u>(465,266)</u>	<u>(465,265)</u>	<u>1</u>
Net change in fund balance	-	(218,038)	(113,019)	105,019
Fund balances, October 1	<u>716,477</u>	<u>716,477</u>	<u>716,477</u>	-
Fund balances, September 30	<u>\$ 716,477</u>	<u>\$ 498,439</u>	<u>\$ 603,458</u>	<u>\$ 105,019</u>

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

Leon County, Florida

Statement of Net Assets
Proprietary Funds

September 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	Internal Service Funds
Assets:				
Current assets:				
Cash	\$ 1,417	\$ -	\$ 1,417	\$ 36,967
Cash with fiscal agent	-	-	-	39,708
Investments	11,159,944	-	11,159,944	10,450,949
Receivables:				
Accounts	642,462	-	642,462	19,316
Intergovernmental	-	-	-	7,814
Inventory	8,248	-	8,248	81,213
Other assets	957	-	957	-
Total current assets	<u>11,813,028</u>	<u>-</u>	<u>11,813,028</u>	<u>10,635,967</u>
Noncurrent assets:				
Restricted cash and investments	6,970,100	-	6,970,100	-
Capital assets:				
Land nondepreciable	1,809,844	-	1,809,844	-
Depreciable (net)	10,992,470	-	10,992,470	-
Total noncurrent assets	<u>19,772,414</u>	<u>-</u>	<u>19,772,414</u>	<u>-</u>
Total assets	<u>31,585,442</u>	<u>-</u>	<u>31,585,442</u>	<u>10,635,967</u>
Liabilities:				
Current liabilities:				
Accounts payable	416,797	-	416,797	65,665
Accrued liabilities	93,249	-	93,249	26,792
Intergovernmental payable	49	-	49	-
Compensated absences	60,294	-	60,294	-
Advances from other funds	-	-	-	38,368
Other current liabilities	-	-	-	2,972,000
Total current liabilities	<u>570,389</u>	<u>-</u>	<u>570,389</u>	<u>3,102,825</u>
Noncurrent liabilities:				
Compensated absences	108,492	-	108,492	-
Liability for closure costs/maintenance	11,105,674	-	11,105,674	-
Total noncurrent liabilities	<u>11,214,166</u>	<u>-</u>	<u>11,214,166</u>	<u>-</u>
Total liabilities	<u>11,784,555</u>	<u>-</u>	<u>11,784,555</u>	<u>3,102,825</u>
Net assets:				
Net assets, invested in capital assets	12,802,314	-	12,802,314	-
Unrestricted	6,998,573	-	6,998,573	7,533,142
Total net assets	<u>\$ 19,800,887</u>	<u>\$ -</u>	<u>19,800,887</u>	<u>\$ 7,533,142</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			421,917	
Net assets of business-type activities			<u>\$ 20,222,804</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, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Nonmajor Fund		Totals	
	Landfill Fund	Amtrak Station		
Operating revenues:				
Charges for services	\$ 7,264,087	\$ -	\$ 7,264,087	\$ 6,977,602
Total operating revenues	<u>7,264,087</u>	<u>-</u>	<u>7,264,087</u>	<u>6,977,602</u>
Operating expenses:				
Personnel services	2,174,091	-	2,174,091	745,994
Contractual services	5,569,950	14,829	5,584,779	61,031
Supplies	365,307	-	365,307	1,513,712
Communications services	24,578	-	24,578	672,243
Insurance	89,233	2,016	91,249	2,295,809
Utility services	312,039	-	312,039	17,354
Depreciation	556,403	-	556,403	-
Other services and charges	1,270,122	-	1,270,122	756,139
Total operating expenses	<u>10,361,723</u>	<u>16,845</u>	<u>10,378,568</u>	<u>6,062,282</u>
Operating income (loss)	<u>(3,097,636)</u>	<u>(16,845)</u>	<u>(3,114,481)</u>	<u>915,320</u>
Nonoperating revenues:				
Taxes	1,393,223	-	1,393,223	-
Interest revenue	430,561	1,137	431,698	143,484
Miscellaneous	260,000	-	260,000	-
Total nonoperating revenues	<u>2,083,784</u>	<u>1,137</u>	<u>2,084,921</u>	<u>143,484</u>
Income (loss) before transfers	<u>(1,013,852)</u>	<u>(15,708)</u>	<u>(1,029,560)</u>	<u>1,058,804</u>
Transfers in	1,328,013	-	1,328,013	29,565
Transfers out	<u>(29,633)</u>	<u>(1,487,709)</u>	<u>(1,517,342)</u>	<u>-</u>
Change in net assets	284,528	(1,503,417)	(1,218,889)	1,088,369
Net assets, October 1	<u>19,516,359</u>	<u>1,503,417</u>		<u>6,444,773</u>
Net assets, September 30	<u>\$ 19,800,887</u>	<u>\$ -</u>		<u>\$ 7,533,142</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>46,214</u>	
Change in net assets of business-type activities			<u>\$ (1,172,675)</u>	

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

Leon County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	
Cash flows from operating activities:				
Receipts from customers	\$ 7,409,884	\$ -	\$ 7,409,884	\$ 1,656,286
Receipts from interfund services	-	-	-	5,336,062
Payments to suppliers	(7,410,213)	(16,845)	(7,427,058)	(4,798,275)
Payments to employees	(2,160,245)	-	(2,160,245)	(740,598)
Claims paid	-	-	-	(666,974)
Payments for interfund services	(381,560)	-	(381,560)	(11,650)
Net cash (used in) provided by operating activities	<u>(2,542,134)</u>	<u>(16,845)</u>	<u>(2,558,979)</u>	<u>774,851</u>
Cash flows from noncapital financing activities:				
Tax proceeds	1,393,223	-	1,393,223	-
Repayments on interfund loans	3,289	-	3,289	-
Transfers received from other funds	1,328,013	-	1,328,013	-
Transfers made to other funds	(29,633)	-	(29,633)	29,565
Net cash provided by noncapital financing activities	<u>2,694,892</u>	<u>-</u>	<u>2,694,892</u>	<u>29,565</u>
Cash flows from capital and related financing activities:				
Sale of property	393,582	-	393,582	-
Acquisition and/or construction of capital assets	(681,010)	(114,028)	(795,038)	-
Net cash used in capital and related financing activities	<u>(287,428)</u>	<u>(114,028)</u>	<u>(401,456)</u>	<u>-</u>
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	5,522,003	-	5,522,003	4,477,438
Purchase of investments	(5,643,532)	-	(5,643,532)	(5,454,561)
Interest and dividends received	252,855	1,137	253,992	88,577
Net cash provided by (used in) investing activities	<u>131,326</u>	<u>1,137</u>	<u>132,463</u>	<u>(888,546)</u>
Net decrease in cash	(3,344)	(129,736)	(133,080)	(84,130)
Cash and equivalents, October 1	4,761	129,736	134,497	160,805
Cash and equivalents, September 30	<u>\$ 1,417</u>	<u>\$ -</u>	<u>\$ 1,417</u>	<u>\$ 76,675</u>

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

Leon County, Florida

Statement of Cash Flows
Proprietary Funds

Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:				
Operating (loss) income	\$ (3,097,636)	\$ (16,845)	\$ (3,114,481)	\$ 915,320
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation expense	556,403	-	556,403	-
Change in assets and liabilities:				
Receivables	32,564	-	32,564	30,611
Fixed assets	-	-	-	-
Inventories	(4,738)	-	(4,738)	(26,216)
Accounts payable	(152,512)	-	(152,512)	(52,261)
Accrued expenses	13,828	-	13,828	5,397
Other current liabilities	-	-	-	(98,000)
Estimated liability for closure	109,957	-	109,957	-
Net cash (used in) provided by operating activities	<u>\$ (2,542,134)</u>	<u>\$ (16,845)</u>	<u>\$ (2,558,979)</u>	<u>\$ 774,851</u>

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

Leon County, Florida
Statement of Fiduciary Net Assets
Agency Funds

September 30, 2011

	Total Agency Funds
Assets:	
Cash	\$ 6,691,223
Investments	835,883
Accounts receivable	1,128,160
Total assets	<u>\$ 8,655,266</u>
Liabilities:	
Accounts payable	\$ 2,258,603
Due to other governments	2,828,455
Deposits	1,767,999
Installment tax deposits	1,800,209
Total liabilities	<u>\$ 8,655,266</u>

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

LEON COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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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.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (continued)

Component Units (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, 2011, 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 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.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (continued)

Component Units (continued)

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

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

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (continued)

Government-wide Financial Statements (continued)

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.

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.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

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 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 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.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

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.

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 and 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.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

Governmental Major Funds (continued)

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.

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 and county.

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

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 Local Option Sales Tax 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.

Extended Local Option Sales Tax — In November of 2000, county residents approved a referendum extending the imposition of the one-cent local option sales tax beginning in fiscal year 2004 for 15 years. This fund is used to account for and report for financial resources restricted, committed, or assigned for the various road, storm-water and park improvements and is the continuation of the Local Option Sales Tax Fund.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

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.

Agency Funds — The Agency Fund is 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.

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.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

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, 2011.

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.

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 September 30, 2011 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.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Capital Assets (continued)

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
Vehicles & rolling stock	3-10
Infrastructure	20-50

Florida Statutes require that the County maintain accountability for all 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-

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Landfill Closure Costs (continued)

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 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 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.

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, 2011.

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.”

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Advances to/from Other Funds

When reported in the fund financial statements, these are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available expendable financial resources.

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.

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, or grantors, or legally through constitutional provisions, or 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 of Leon County and that remain binding unless removed by Leon County such as ordinances, resolutions, or legislation.

“Assigned” Fund Balance- Balances are comprised of unrestricted funds informally constrained by Leon County in a manner that reflects Leon County’s use of those resources such as appropriations of fund balance at year end or at the beginning of the new fiscal year.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Net Assets/Fund Balances (continued)

“Unassigned” Fund Balance - Balances are comprised of the residual of the unrestricted funds in the general fund and are not 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 Self Insurance Fund are reserved for anticipated future catastrophic losses pursuant to County policy and GASB Statement No. 10.

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 (\$165,085,107) differs from “net assets” of governmental activities (\$412,933,367) 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	\$ 606,120,990
Accumulated depreciation	<u>(272,774,667)</u>
Net capital assets added	<u><u>\$ 333,346,323</u></u>

Leon County, Florida
Notes to Financial Statements
September 30, 2011

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)

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, 2011 were:

Capital Improvement Revenue Refunding Bonds, Series 2005	\$47,490,000
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	5,342,830
Note payable	2,870,700
Other Postemployment Benefits	3,414,577
Liability for compensated absences	13,838,518
Arbitrage rebate liability	25,000
	<u>\$93,411,625</u>

Internal Service Funds

Management uses internal service funds to charge the cost of fleet management and insurance activities to the individual funds benefited. 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, 2011, statement of net assets is \$7,111,226.

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Leon County, Florida
Notes to Financial Statements
September 30, 2011

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)

Assets	Total Governmental Funds	Capital Related Items
Equity in pooled cash and equivalents	\$ 12,922,430	\$ —
Investments	159,540,752	—
Receivables (net)	16,050,969	—
Due from other funds	3,260,807	—
Advances to other funds	38,368	—
Inventories	603,483	—
Other assets	4,922	—
Capital assets – net	—	333,346,323
Total assets	\$ 192,421,731	\$ 333,346,323
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 13,097,715	\$ —
Accrued liabilities	4,187,589	—
Intergovernmental payables	382,448	—
Internal balance	—	—
Estimated liability for self-insurance loss	—	—
Due to other funds	3,260,807	—
Deposits	708,704	—
Arbitrage rebate	—	—
Unearned revenue	5,699,361	—
Advances from other funds	—	—
Other Postemployment Benefits	—	—
Accrued compensated balances	—	—
Bond and notes payable (net)	—	—
Total liabilities	27,336,624	—
Fund balances/net assets	165,085,107	333,346,323
Total liabilities and fund balances/net assets	\$ 192,421,731	\$ 333,346,323

Leon County, Florida
Notes to Financial Statements
September 30, 2011

Long-term Debt Transactions	Internal Service Funds	Reclassifications & Eliminations	Statement of Net Assets
\$ —	\$ 76,675	\$ —	\$ 12,999,105
—	10,450,949	—	169,991,701
—	27,130	—	16,078,099
—	—	(3,260,807)	—
—	—	(38,368)	—
—	81,213	—	684,696
802,336	—	—	807,258
—	—	—	333,346,323
<u>\$ 802,336</u>	<u>\$ 10,635,967</u>	<u>(\$3,299,175)</u>	<u>\$ 533,907,182</u>

\$ —	\$ 65,664	\$ —	\$ 13,163,379
(15,232)	21,727	—	4,194,084
—	—	—	382,448
—	421,917	—	421,917
—	2,972,000	—	2,972,000
—	—	(3,260,807)	—
—	—	—	708,704
25,000	—	—	25,000
—	—	—	5,699,361
—	38,368	(38,368)	—
3,429,809	5,065	—	3,434,874
13,838,518	—	—	13,838,518
76,133,530	—	—	76,133,530
93,411,625	3,524,741	(3,299,175)	120,973,815
(92,609,289)	7,111,226	—	412,933,367
<u>\$ 802,336</u>	<u>\$ 10,635,967</u>	<u>(\$3,299,175)</u>	<u>\$ 533,907,182</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2011

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 (\$16,109,052) differs from the “change in net assets” for governmental activities of (\$2,923,863), 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	\$ 24,513,686
Depreciation expense	<u>(18,382,771)</u>
Net	<u>\$ 6,130,915</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>\$ 5,695,633</u>
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Leon County, Florida
Notes to Financial Statements
September 30, 2011

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 (continued)

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.

Amortization of current year bond discount/premium	\$ 47,390
Amortization of current year bond costs	(44,398)
Amortization of current year deferred charge on refunding	(140,705)
Net increase in compensated absences	1,384,487
Net decrease in Other Postemployment Benefits	(930,286)
	<u>\$ 316,488</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 gain (loss) on governmental activities	<u>\$ 1,042,153</u>
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Leon County, Florida
Notes to Financial Statements
September 30, 2011

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	Long-Term Debt Transactions
Revenues:	Taxes	\$ 134,537,646	\$ -	\$ -
	Licenses and permits	1,704,998	-	-
	Intergovernmental	36,988,405	-	-
	Charges for services	34,757,631	-	-
	Fines and forfeitures	939,614	-	-
	Interest	2,191,585	-	-
	Miscellaneous	3,193,573	-	-
Total revenues		<u>214,313,452</u>	-	-
Expenditures:	Current			
	General government	37,719,813	(9,831,288)	-
	Public safety	94,603,567	5,774,476	-
	Physical environment	12,351,146	653,359	-
	Transportation	27,541,519	2,326,195	-
	Economic environment	5,571,260	-	-
	Human services	10,481,160	(67,264)	-
	Culture and recreation	16,639,039	(4,986,393)	-
	Judicial	16,343,959	-	-
Debt service	Principal	5,800,673	-	(5,695,633)
	Interest and fiscal charges	3,529,776	-	-
	Other debt service costs	356	-	137,713
Total expenditures		<u>230,582,268</u>	<u>(6,130,915)</u>	<u>(5,557,920)</u>
Excess (deficiency) of revenues over	(under) expenditures	<u>(16,268,816)</u>	<u>6,130,915</u>	<u>5,557,920</u>
Other financing sources (uses):	Operating transfers in	92,868,358	-	-
	Operating transfers out	(92,708,594)	-	-
Total other financing sources (uses)		<u>159,764</u>	-	-
Net change in fund balance		<u>(16,109,052)</u>	<u>6,130,915</u>	<u>5,557,920</u>
Fund balances, October 1		<u>181,194,159</u>		
Fund balances, September 30		<u>\$ 165,085,107</u>		

Leon County, Florida
Notes to Financial Statements
September 30, 2011

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)

	Other				
Compensated Absences	Postemployment Benefits	Internal Service Funds	Reclassifications and Eliminations	Statement of Activities	
\$	-	-	-	-	\$134,537,646
	-	-	-	-	1,704,998
	-	-	-	-	36,988,405
	-	-	(384,289)	-	34,373,342
	-	-	-	-	939,614
	-	143,484	-	-	2,335,069
	-	-	-	-	3,193,573
	-	143,484	(384,289)	-	214,072,647
	(274,151)	237,627	(130,910)	(71,383)	27,649,708
	(808,574)	420,074	(522,348)	(297,102)	99,170,093
	(33,468)	53,303	(46,881)	(3,768)	12,973,691
	(65,003)	62,209	(79,581)	-	29,785,339
	(12,106)	9,645	(1,515)	(5,142)	5,562,142
	(1,181)	10,945	(11,414)	(720)	10,411,526
	(45,539)	54,805	(23,815)	-	11,638,097
	(144,465)	81,678	(52,640)	(6,174)	16,222,358
	-	-	-	-	105,040
	-	-	-	-	3,529,776
	-	-	-	-	138,069
	(1,384,487)	930,286	(869,104)	(384,289)	217,185,839
	1,384,487	(930,286)	1,012,588	-	(3,113,192)
	-	-	-	(92,868,358)	-
	-	-	29,565	92,868,358	189,329
	-	-	29,565	-	189,329
	1,384,487	(930,286)	1,042,153	-	(2,923,863)
					415,857,230
					<u>\$412,933,367</u>

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.

**NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
(CONTINUED)**

A. Budgets and Budgetary Accounting (continued)

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*.
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 to a State fiscal year of July 1 to June 30. The Clerk's funding process 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 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 Financial Statements
September 30, 2011

NOTE IV. CASH AND INVESTMENTS

As of September 30, 2011, the value of the County's deposits and investments, with their respective credit ratings, was as follows:

	Fair Value	Credit Rating	Duration
Deposits in Qualified Public Depositories	\$ 20,118,294	NA	NA
Money Market	1,351,416	NA	NA
Repurchase Agreement Sweep	18,821	NA	NA
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	38,649,709	A+f	2.21
Florida Safe Investment Pool	1,161,082	AAAm	0.11
Florida Prime Investment Pool	100,939	AAAm	0.85
Florida Local Government Investment Trust Government Fund (FLGIT)	37,277,715	AAAf	1.70
Florida Municipal Investment Trust (FMIvT) 1-3 Year High Quality Bond Fund	37,278,254	AAA/V2	1.57
Florida Municipal Investment Trust (FMIT) 0-2 Year High Quality Bond Fund	49,721	AAAf/S1	0.84
Externally Managed Portfolio:			
U.S. Treasuries	19,697,977	AA+	2.74
Government Sponsored Agencies:			
Fannie Mae	6,893,220	AA+	1.49
Federal Home Loan Mortgage Corp	5,000,321	AA+	1.11
Other Government Sponsored Agencies	8,882,535	AA+	1.78
Temporary Liquidity Guarantee	4,502,807	AA+	1.37
Collateralized Mortgage Obligations	2,140,582	AA+	0.69
Corporate Bonds	3,086,596	AAA	2.47
Corporate Bonds	6,777,632	AA-	1.66
Corporate Bonds	8,518,935	A-	1.71
Municipal Bonds	3,609,366	AA	2.40
Municipal Bonds	940,249	A+	3.94
Asset-backed Securities	2,577,809	AAA	0.80
Asset-backed Securities	127,028	AA+	6.80
Asset-backed Securities	171,829	B	-3.45
Asset-backed Securities	513,788	CCC-	0.58
Total Cash and Investments	<u>\$ 209,446,625</u>		

Leon County, Florida
Notes to Financial Statements
September 30, 2011

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 table above. Deposits not exposed to credit quality risk, as defined by GASB 40, are designated as "NA" in the credit rating column.

One of the County Bank accounts provides for daily cash balances in excess of the compensating balance, to be invested in an overnight sweep agreement. This excess is invested in repurchase agreements which are uninsured and uncollateralized. At September 30, 2011, the amount of \$18,821 was invested in repurchase agreements.

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 Financial Statements
September 30, 2011

NOTE IV. CASH AND INVESTMENTS (CONTINUED)

Credit Risk (continued)

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

The County’s Investment Policy limits credit risk by restricting authorized investments to the following: Local Government Surplus Funds Trust Fund (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 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 AAAf by Standard & Poor’s.

Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2011, the County had \$37,277,715 invested 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.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE IV. CASH AND INVESTMENTS (CONTINUED)

Credit Risk (continued)

The portfolio will generally invest in securities with greater potential returns and risk than those offered by money market type instruments. Due to the fact that the portfolio will be investing in securities with an average maturity of approximately two years, increases in interest rates will cause declines in the net asset value of the portfolio. Therefore, the portfolio may be an inappropriate investment for funds required to meet short-term needs. The portfolio is managed by Atlanta Capital Management and maintains an AAA rating from Fitch. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2011, the County had \$37,278,254 invested with FMIvT.

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. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2011, the County had \$49,721 invested with FMIvT.

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, 2011, 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 rates. 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, 2011 is 38.3 days. The fair value of the county's position in the pool approximates the value of the pool shares. At September 30, 2011, the County had \$100,939 invested in Florida PRIME.

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

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE IV. CASH AND INVESTMENTS (CONTINUED)

Credit Risk (continued)

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, 2011, is 42 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, 2011, the County had \$1,161,082 invested with the FLSAFE.

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, 2011, were \$20,118,294. 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 \$74,680,642 at September 30, 2011, and was invested for a weighted average term of 773 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

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE IV. CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk (continued)

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 State Board of Administration. The System's investment policy and exposure to foreign currency risk is disclosed in Note 2 of the State of Florida Comprehensive Annual Financial Report. A copy of this report is available at http://www.fldfs.com/statewide_financial_reporting/index.htm.

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.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE V. PROPERTY TAXES (CONTINUED)

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 2011 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

On or prior to June 1, following the tax year, tax certificates are sold for all delinquent taxes on real property in accordance with the laws of Florida. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the seven-year statute of limitations. Since tax certificates were sold for substantially all current year delinquent property taxes, there were no material property taxes receivable at September 30, 2011.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE VI. CAPITAL ASSETS

A. Capital Asset Activity for the year ended September 30, 2011 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital not being depreciated:				
Land	\$ 19,608,716	\$ 600,000	\$ —	\$ 20,208,716
Improvements other than buildings	13,327,007	1,299,838	—	14,626,845
Construction/Purchase in progress	33,251,680	7,874,360	(1,197,916)	39,928,124
Total not being depreciated	66,187,403	9,774,198	(1,197,916)	74,763,685
Capital assets being depreciated:				
Buildings	165,022,533	4,127,576	—	169,150,109
Equipment	40,215,902	12,669,863	(7,923,416)	44,962,349
Library collection	2,985,248	618,540	(600,726)	3,003,062
Infrastructure	312,942,788	8,617,496	(7,318,499)	314,241,785
Total being depreciated	521,166,471	26,033,475	(15,842,641)	531,357,305
Less accumulated depreciation:				
Buildings	(69,487,640)	(4,266,492)	—	(73,754,132)
Equipment	(18,385,099)	(3,848,622)	1,955,794	(20,277,927)
Library collection	(1,804,852)	(600,612)	600,726	(1,804,738)
Infrastructure	(170,460,875)	(9,667,045)	3,190,050	(176,937,870)
Total accumulated depreciation	(260,138,466)	(18,382,771)	5,746,570	(272,774,667)
Total being depreciated, net	261,028,005	7,650,704	(10,096,071)	258,582,638
Governmental activities capital assets, net	\$327,215,408	\$17,424,902	\$(11,293,987)	\$333,346,323
Business-type activities:				
Capital not being depreciated:				
Land	\$ 2,409,844	\$ —	\$ (600,000)	\$ 1,809,844
Total not being depreciated	2,409,844	—	(600,000)	1,809,844
Capital assets being depreciated:				
Buildings	19,921,233	212,133	(856,859)	19,276,507
Equipment	5,269,734	405,887	(278,129)	5,397,492
Total being depreciated	25,190,967	618,020	(1,134,988)	24,673,999
Less accumulated depreciation:				
Buildings	(11,163,015)	(36,639)	83,178	(11,116,477)
Equipment	(2,252,827)	(519,764)	207,537	(2,565,052)
Total accumulated depreciation	(13,415,842)	(556,403)	290,715	(13,681,529)
Total being depreciated, net	11,775,125	61,617	(844,273)	10,992,470
Business-type activities capital assets, net	\$ 14,184,969	\$ 61,617	\$(1,444,273)	\$ 12,802,314

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE VI. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$ 4,602,538
Public safety	922,268
Physical environment	518,725
Transportation	10,076,301
Human services	196,123
Culture and recreation	<u>2,066,816</u>
Total depreciation expense – governmental activities	<u><u>\$ 18,382,771</u></u>

Business-type activities:

Landfill	<u>\$ 556,403</u>
Total depreciation expense – business-type activities	<u><u>\$ 556,403</u></u>

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE VII. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Balances as of September 30, 2011, consisted of the following:

	Interfund Receivables	Interfund Payables
Primary Government:		
By Major Fund:		
General	\$1,510,797	\$1,771,384
Fine & Forfeiture	812,952	—
Grants	—	128,456
Fire Rescue Services	—	609
Total Major Funds	2,323,749	1,900,449
Nonmajor Special Revenue Funds:		
Probation Fund	75,000	—
Mosquito Control	—	1,020
911 Emergency Communications	583,553	190,276
Sheriff Special Grants Fund	18,507	404,374
Emergency Management 911 Fees	90,271	583,778
Emergency Management Grants	121,155	105,910
Sheriff Inmate Fund	48,572	75,000
Total Nonmajor Special Revenue Funds	937,058	1,360,358
Total Nonmajor Governmental Funds	937,058	1,360,358
Total Governmental Funds	3,260,807	3,260,807
Total Primary Government	3,260,807	3,260,807
Total Primary Government & Component Unit	\$3,260,807	\$3,260,807

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 Financial Statements
September 30, 2011

**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, 2011, consisted of the following:

Transfers to the General Fund from:	
Fine & Forfeiture Fund	\$62,722,012
Grants Fund	15,822
Fire Rescue Services Fund	36,991
Special Assessment Fund	145,699
Nonmajor Governmental Funds	205,361
Enterprise Fund	1,517,342
Total Transfers to the General Fund	<u>64,643,227</u>
Transfers to the Fine & Forfeiture Fund from:	
General Fund	754,677
Nonmajor Governmental Funds	17,300
Total Transfers to the Fine & Forfeiture Fund	<u>771,977</u>
Transfers to the Grants Fund from:	
General Fund	209,108
Capital Improvement Fund	314,000
Nonmajor Governmental Funds	14,106
Total Transfers to Grants Fund	<u>537,214</u>
Transfers to the Capital Improvement Fund from:	
General Fund	915,973
Grants Fund	129,742
Special Assessment Fund	319,566
Nonmajor Governmental Funds	508,527
Total Transfers to the Capital Improvement Fund	<u>1,873,808</u>
Transfers to the Nonmajor Funds from:	
General Fund	15,935,163
Grants Fund	275,628
Capital Improvement Fund	110,527
Nonmajor Governmental Funds	8,720,814
Total Transfers to the Nonmajor Funds	<u>25,042,132</u>
Total Transfers to the Governmental Funds	<u>\$92,868,358</u>
Transfers to the Enterprise Fund from:	
General Fund	1,328,013
Total Transfers to Enterprise Funds	<u>1,328,013</u>
Total Interfund Transfers	<u>\$94,196,371</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2011

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 and notes payable, at September 30, 2011, is comprised of the following:

Revenue Bonds:

**Outstanding at
September 30, 2011**

\$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.

\$ 47,490,000

\$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 Financial Statements
September 30, 2011

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

A. Long-term Obligations (continued)

	<u>Outstanding at September 30, 2011</u>
<p>\$12,465,000, Taxable Capital Improvement Revenue Bonds, Series 2003B, to, (i) pay a portion of the costs of the acquisition of the Bank of America Building, and (ii) pay capitalized interest and issuance costs on the Series 2003 bonds, and (iii) pay bond issuance costs. The bonds dated May 27, 2003, are in denominations of \$5,000 each and bear interest from 4.80% to 4.85% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2003. The bond principal matures serially on October 1 of each year for two years beginning October 1, 2018.</p>	12,465,000
<p>\$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.</p>	5,342,830
<p><i>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).</i></p>	
<p>TOTAL BONDS PAYABLE</p>	<u>\$ 73,262,830</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

A. Long-term Obligations (continued)

Note payable is comprised of the following at September 30, 2011:

Bank of America Leasing & Capital, LLC

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

\$ 2,870,700

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
2012	\$ 6,018,960	\$ 3,237,861	\$ 9,256,821
2013	6,167,526	3,084,846	9,252,372
2014-2018	34,727,044	11,578,506	46,305,550
2019-2023	22,670,000	4,211,255	26,881,255
2024-2025	6,550,000	462,550	7,012,550
Total	<u>\$ 76,133,530</u>	<u>\$ 22,575,018</u>	<u>\$ 98,708,548</u>

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

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

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

	Balance October 1, 2010	Reductions	Additions	Balance September 30, 2011	Due Within One Year
Governmental Activities:					
Capital Improvement Revenue Refunding Bonds, Series 1998B	\$ 7,790,000	\$ (7,790,000)	\$ —	\$ —	\$ —
Capital Improvement Revenue Bonds, Series 2003A	7,965,000	—	—	7,965,000	—
Taxable Capital Improvement Revenue Bonds, Series 2003B	12,465,000	—	—	12,465,000	—
Capital Improvement Revenue Refunding Bonds, Series 2005	50,375,000	(2,885,000)	—	\$47,490,000	2,985,000
Capital Improvement Refunding Revenue Bonds, Series 2011	—	(2,552,210)	7,895,040	5,342,830	2,656,760
Total Special Revenue Debt	78,595,000	(13,227,210)	7,895,040	73,262,830	5,641,760
Liability for compensated absences	15,223,005	(8,248,353)	6,863,866	13,838,518	4,306,055
Other Postemployment Benefits	2,499,323	(166,589)	1,102,140	3,434,874	—
Arbitrage rebate liability	25,000	—	—	25,000	—
Bank of America – Notes Payable	3,234,163	(363,463)	—	2,870,700	377,200
Governmental Activity Long-term Debt	\$ 99,576,491	\$(22,005,615)	\$ 15,861,046	\$ 93,431,922	\$ 10,325,015
	Balance October 1, 2010	Reductions	Additions	Balance September 30, 2011	Due Within One Year
Business-type activities:					
Liabilities for Compensated absences	\$ 169,097	\$ (152,532)	\$ 152,151	\$ 168,716	\$ 60,294
Other Postemployment Benefits	62,335	—	8,931	71,266	—
Landfill Closure and Postclosure Costs	10,995,717	—	109,957	11,105,674	—
Business-type activity Long-term liabilities	\$ 11,227,149	\$ (152,532)	\$ 271,039	\$ 11,345,656	\$ 60,294

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.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

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 2011 is as follows:

Beginning balance	\$ 282,680
Purchases	2,871,795
Payments	<u>(2,825,725)</u>
Ending balance	<u><u>\$ 328,750</u></u>

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

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

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

The Authority had the following bonds outstanding at September 30, 2011, pursuant to its authorization:

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

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

I. Conduit Debt Obligations (continued)

repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2011, the conduit debts outstanding were as follows:

Project Description	Fiscal Year Issued	Original Bond Issue	Principal Outstanding @ 09/30/2011
Holy Comforter Episcopal School	2002	\$4,400,000	3,346,807
Apalachee Center, Inc.	2008	8,500,000	7,706,676
Goodwill Industries – Big Bend, Inc.	2009	2,400,000	2,264,085
Educational Facilities Authority			
Refunding Series 1998A	1998	12,000,000	9,470,000
Refunding Series 1998 B	1998	20,500,000	20,500,000
Student Housing Revenue Bonds 2003	2008	23,315,000	20,945,000

**Total Conduit Debt Principal Balance as of
September 30, 2011**

\$ 64,232,568

Defeased Conduit Debt

Educational Facilities Authority

\$ 7,985,000

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.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

J. Debt Parity (continued)

	Actual 2008	Actual 2009	Actual 2010	Actual 2011
Pledged revenues:				
Revenues available for debt service:				
Local Government Half Cent Tax	\$11,693,726	\$10,466,447	\$10,288,684	\$10,437,198
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	1,142,489	935,798	699,931	708,334
Total revenues available for debt service	<u>\$14,179,662</u>	<u>\$12,745,692</u>	<u>12,332,062</u>	<u>\$12,488,979</u>
Combined maximum annual debt service for debt (Series 1998B, Series 2003A and 2003B, Series 2005, and Series 2011)	\$8,925,429	\$8,928,508	\$8,927,843	\$8,845,936
Debt Service Coverage	1.59x	1.43x	1.38x	1.41x

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 \$11,105,674 reported as landfill closure and post-closure care liability at September 30, 2011, 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 2011 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, 2011, held investments in the amount of \$6,970,100 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 IX. CLOSURE AND POSTCLOSURE CARE COST (CONTINUED)

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

NOTE X. EMPLOYEE BENEFITS

A. Florida Retirement System

Plan Description - The County contributes to the Florida Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System 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 System effective July 1, 2011, as outlined below. The System issues financial statements and required supplementary information for the System. That report may be obtained at www.dms.myflorida.com/human_resource_support/retirement/publications/system_information/annual_reports.

Funding Policy - Prior to July 1, 2011, the System 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 System. 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.

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, 2011, the contribution rate was 1.11% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2011, 2010, and 2009 were \$11,022,177, \$11,595,076, and \$11,289,233, respectively, which is equal to 100% of the required contribution for each year. The rates for 2011 and 2010 fiscal years were as follows:

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE X. EMPLOYEE BENEFITS (CONTINUED)

A. Florida Retirement System (continued)

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2010	July 1, 2011
Regular Class	For employees in the System 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.	10.77%	4.91%
	For employees joining the System 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 System 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.	14.57%	6.27%
	For employees joining the System 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 System 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.	23.25%	14.10%
	For employees joining the System 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) - Non-judicial	For employees in the System 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 creditable service.	18.64%	11.14%
	For employees joining the System 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.		

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE X. EMPLOYEE BENEFITS (CONTINUED)

A. Florida Retirement System (continued)

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2010	July 1, 2011
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.	12.25%	4.42%

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 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. 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.

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.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE X. EMPLOYEE BENEFITS (CONTINUED)

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

	FY 2011	FY 2010	FY 2009
Normal cost (service cost for one year)	\$ 470,090	\$ 480,857	\$ 480,857
Amortization of unfunded actuarial accrued liability	642,166	668,455	688,455
Interest on normal cost and amortization	44,490	45,972	45,972
Annual required contribution	1,156,746	1,195,284	1,195,284
Interest on net OPEB obligation	102,466	65,633	27,244
Adjustment to annual required contribution	(148,141)	(94,889)	(39,388)
Annual OPEB cost	1,111,071	1,166,028	1,183,140
Contributions made	(166,589)	(245,192)	(223,409)
Increase in net OPEB obligation	944,482	920,836	959,731
Net OPEB obligation at beginning of year	2,561,658	1,640,822	681,091
Net OPEB obligation at end of year	\$ 3,506,140	\$2,561,658	\$1,640,822

The percentage of annual OPEB cost contributed to the plan for fiscal year 2011, 2010, and 2009, was 14.99%, 21.03%, and 18.8%, respectively.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE X. EMPLOYEE BENEFITS (CONTINUED)

E. Post Employment Benefits Other Than Pension Benefits (continued)

Funded Status and Funding Progress. As of September 30, 2011, 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 \$81,431,486. The ratio of the County's actuarial accrued liability to the County's covered payroll was 14.18% at September 30, 2011.

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

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

For the October 1, 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. 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, 2011, was 30 years.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

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, 2011	\$ 64,000	\$ 33,000	\$ -	\$	97,000
September 30, 2010	\$ 131,000	\$ (67,000)	\$ -	\$	64,000

The claims liability of \$97,000 includes an actuarial valuation for incurred but not yet reported claims of \$16,740.

B. Workers' Compensation

The County maintains a self-insurance Internal Service Fund to account for insurance activities relating to workers' compensation that is administered by a third-party administrator. Under this program, the County absorbs losses up to a maximum of \$350,000 for each claim. At September 30, 2011, 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 \$2,870,000, which includes an actuarial evaluation for incurred but not reported claims of \$2,760,277, is included in other current liabilities and reported in the Internal Service Fund at September 30, 2011. 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.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES (CONTINUED)

B. Workers' Compensation (continued)

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
2011	\$ 2,973,000	\$ 306,000	\$ 409,000	\$ 2,870,000
2010	\$ 3,370,000	\$ (63,000)	\$ 334,000	\$ 2,973,000

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.

As a member of the Florida Sheriff's Association, the Sheriff participates in the Sheriffs' Automobile Risk Program (SHARP) 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, 2011 was \$174,068.

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

Year	Beginning of Fiscal Year	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year- End
2011	\$ 13,000	\$ (8,000)	\$ -	\$ 5,000
2010	\$ 35,000	\$ (22,000)	\$ -	\$ 13,000

The claims liability of \$5,000 includes an actuarial valuation for incurred but not reported claims of \$4,700.

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES (CONTINUED)

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, 2011 was \$473,040.

The limits of the Self-Insurance Fund for the above-mentioned damages, fees and defense costs are \$3,100,000 per person, \$3,200,000 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, 2011, 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, 2011 was \$59,994.

NOTE XII. SEGMENT INFORMATION - ENTERPRISE FUNDS

The County maintained two enterprise funds. 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 Amtrak Fund accounts for revenues associated with leased office space at the railroad station and related maintenance costs. After hurricane Katrina, Amtrak closed their office, and the Amtrak Fund was closed by the County. The County has not issued bonds to finance the activity of these two enterprise funds. Further, none of the revenues streams of these two enterprise funds are pledged in support of outstanding debt.

NOTE XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Excess of Expenditures Over Appropriations

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.

**NOTE XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES
(CONTINUED)**

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 SHIP Trust Fund and Motor Pool Fund have a deficit fund balance of \$60 and \$5,075, respectively, as of September 30, 2011.

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 and 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 Reserve 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.

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 and 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 Financial Statements
September 30, 2011

**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	\$ 602,073	\$ —	\$ 1,410	\$ 603,483
Prepaid assets	—	—	4,922	4,922
Long-term receivables	14,488	122,388	1,670,240	1,807,116
Total nonspendable	616,561	122,388	1,676,572	2,415,521
Restricted:				
General government	—	1,861,412	3,451,871	5,313,283
Public safety	—	822,864	4,690,104	5,512,968
Transportation	—	—	4,451,609	4,451,609
Economic environment	—	—	851,336	851,336
Human services	—	—	3,781	3,781
Judicial	—	—	140,763	140,763
Total restricted	—	2,684,276	13,589,464	16,273,740
Committed:				
General government	413,897	239,341	1,738,621	2,391,859
Public safety	—	29,994,543	7,984,397	37,978,940
Physical environment	—	1,497,884	3,657,706	5,155,590
Transportation	—	315,951	—	315,951
Culture and recreation	—	3,611,540	—	3,611,540
Total committed	413,897	35,659,259	13,380,724	49,453,880
Assigned:				
General government	9,047,347	15,811,036	1,919,360	26,777,743
Public safety	—	16,206,992	828,255	17,035,247
Physical environment	24,175	3,717,217	3,332,395	7,073,787
Transportation	—	18,603,840	5,236,074	23,839,914
Economic environment	—	441,000	4,308,254	4,749,254
Human services	119,200	337,009	118,937	575,146
Culture and recreation	—	4,971,188	535,054	5,506,242
Judicial	—	100,000	282,932	382,932
Total assigned	9,190,722	60,188,282	16,561,261	85,940,265
Unassigned:	12,987,490	(1,738,346)	(247,443)	11,001,701
Total Fund Balances	\$ 23,208,670	\$ 96,915,859	\$ 44,960,578	\$ 165,085,107

Leon County, Florida
Notes to Financial Statements
September 30, 2011

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, 2011 are as follows:

Fiscal Year Ending September 30,	Amount
2012	\$ 969,708
2013	1,174,630
2014	759,286
2015	773,612
2016	790,405
Thereafter	1,510,353
Total Minimum Payments	\$ 5,977,994

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 2011. The facility is carried as a governmental activity because the county purchased the building to provide offices for County staff.

Operating Leases

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, 2011, 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
2012	\$ 547,478
2013	444,858
2014	452,049
2015	459,248
2016	466,442
Thereafter	1,793,543
Total Minimum Payments	\$ 4,163,618

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A. Contract Commitments (continued)

Operating Leases (continued)

Lease expenditures incurred under operating leases for the year ended September 30, 2011 were \$541,818.

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, 2011, equipment lease expenses were \$110,707. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

Fiscal Year Ending September 30,	Amount
2012	\$ 49,226
2013	25,671
2014	20,991
2015	9,240
Total Minimum Payments	\$ 105,128

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, 2011, for each of the four years and in the aggregate are as follows:

Fiscal Year Ending September 30,	Amount
2012	\$ 24,936
2013	13,428
2014	12,681
2015	2,820
Total Minimum Payments	\$ 53,865

On June 27, 2010, the Clerk entered into an agreement for installation and implementation of new software. The total fees under this contract are \$713,750. As of September 30, 2011, a total of \$354,150 has been paid. The remaining balance is expected to be paid within the 2011-2012 fiscal year.

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 Financial Statements
September 30, 2011

NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A. Contract Commitments (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:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2012	\$ 229,120
2013	229,120
Total minimum lease payments	458,240
Less amount representing interest	(22,906)
Present value of net minimum lease payments	<u>\$ 435,334</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, 2011. These commitments have been included in the 2010-2011 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 \$38 million as compared to \$8.5 million at September 30, 2010.

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. 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

Leon County, Florida
Notes to Financial Statements
September 30, 2011

NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Blueprint 2000 Intergovernmental Agency(continued)

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

On March 6, 2012, Leon County Circuit Court Jackie Fulford ruled that the state's 2011 law requiring members of the Florida Retirement System contribute three percent of their salaries to the pension fund unconstitutionally breached the contract with existing employees. Governor Rick Scott indicated the state would appeal. The final outcome could have an impact on the County's budget of approximately two million dollars.

**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 units, each major fund, and the aggregate remaining fund information of Leon County, Florida, as of and for the fiscal year ended September 30, 2011, which collectively comprise Leon County, Florida's basic financial statements and have issued our report thereon dated February 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leon County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Per inspection of *Florida Statute 40.32(3)*, jurors and witnesses shall be paid by the Clerk of the Court either in cash or by warrant within 20 days after completion of jury service or of completion of service as a witness. 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.

Management Response

This was one group of payments that were made three days late. This occurred when a major jury selection was being processed and should not occur again.

We did not audit the Clerk's response above and, accordingly, we express no opinion on it.

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 February 15, 2012. Leon County's responses to our recommendations made pursuant to the *Rules of the Auditor General* have been included in that letter. We did not audit Leon County's responses and, accordingly, we express no opinion on the responses.

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.

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

February 15, 2012

Report on Compliance with Requirements Applicable to
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 the compliance of Leon County, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the *Florida Department of Financial Service's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2011. 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 requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2011.

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 our 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.

Law, Redd, Orona & Munroe, P.A. *James Howell Ferguson P.C.*

February 15, 2012

Leon County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2011

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>
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Pass through Florida Department of Agriculture and Consumer Services			
Specialty Crop Block Grant Program - Farm Bill	10.170	3306	5,035
Specialty Crop Block Grant	10.170	015578 SCGB-09	6,061
Direct Program			
USDA Housing Preservation Grant	10.433	Grant 01/FY 2010	4,956
Total U.S. Department of Agriculture			<hr/> <hr/> 16,052
<u>U.S. Department of Housing and Urban Development</u>			
Pass through Florida Department of Community Affairs			
CDBG - Small Cities	14.228	07DB-3K-02-47-01-E17	982
Emergency Housing Set Aside - CDBG	14.228	10DB-4N-02-47-01-NE3	90,822
CDBG Disaster Recovery Program	14.228	10DB-K4-02-47-01-K21	1,681,565
Total U.S. Department of Housing and Urban Development			<hr/> <hr/> 1,773,369
<u>U.S. Department of Interior</u>			
Direct Program			
Payment in Lieu of Taxes	15.226	Unknown	177,282
<u>Fish & Wildlife Service, U.S. Department of Interior</u>			
Pass through Florida Department of Financial Services			
Secure Rural Schools and Community Self-Determination	15.234	USFOR2010	54,297
Secure Rural Schools and Community Self-Determination-Title III	15.234	6540-2009	10,852
Secure Rural Schools and Community Self-Determination-Title III	15.234	6540-2010	6,430
Total U.S. Department of Interior			<hr/> <hr/> 71,579
<u>U.S. Department of Justice</u>			
Direct Programs			
State Criminal Alien Assistance Program (SCAAP)	16.606	2009-AP-BX-0021	45,375
COPS Technical Program	16.710	2010CKWX0399	299,910
Pass through State of Florida Office of the Attorney General			
Victims of Crime Act	16.575	V10151	47,223
Pass through Florida Department of Law Enforcement			
ARRA-Byrne-JAG Grant Law Enforcement Equipment	16.803	2010-ARRC-LEON-1-W7-227	153,562
Pass through City of Tallahassee			
ARRA-Byrne Grant JAG Enhanced Pretrial GPS	16.804	2010-H8311-FL-DJ	120,778
Byrne Grant-LCSO Digital Forensics	16.738	2011-JAGC-LEON-1-B2-044	139,473
Byrne Grant-JAG Grant TPD Equipment	16.738	2011-JAGC-LEON-2-B2-050	7,836
Total U.S. Department of Justice			<hr/> <hr/> 814,157
<u>U.S. Department of Transportation</u>			
Pass through State of Florida Department of Transportation			
ARRA-Velda Dairy Sidewalk Construction	20.205	426701-1-58-01	54,321
EMS Child Passenger Safety Program	20.613	AQ389	31,798
Miccosukee Canopy Road Greenway - Phase I	20.219	T2913	49,905
Direct Program			
USDOT Pipeline & Hazmat Grant	20.710	DTPH56-10-SN-0002	49,250
Total U.S. Department of Transportation			<hr/> <hr/> 185,274

(continued)

Leon County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2011

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>
FEDERAL AWARDS (continued)			
<u>National Endowment for the Arts</u>			
Direct Program			
ARRA-The Big Read	45.024	FY11	6,826
<u>U.S. Environmental Protection Agency</u>			
Direct Program			
Environmental Policy and Innovation Grant-School Chemicals	66.611	PI-96442505	3,990
<u>U.S. Department of Energy</u>			
Direct Programs			
ARRA-Energy Efficiency and Conservation Block Grant	81.128	ARE023	1,078,125
ARRA-Florida Energy and Climate Commission Grant	81.041	ARS128	2,761
Total U.S. Department of Energy			1,080,886
<u>U.S. Department of Health and Human Services</u>			
Pass through Florida Department of Revenue			
Title IV D - Child Support Enforcement	93.563	CD337	548,136
Child Support Enforcement-Service of Process	93.563	CSP37	33,112
Child Support Enforcement-Title IV D Incentive	93.563	Unknown	6,574
Total U.S. Department of Health and Human Services			587,822
<u>Corporation for National and Community Service</u>			
Direct Program			
BEST Neighborhood Grant	94.021	11VG129378	18,637
<u>U.S. Department of Homeland Security, Office of Domestic Preparedness</u>			
Pass through Florida Department of Community Affairs			
FEMA-Hurricane Ivan	97.036	05-PA-G-02-47-01-753	24,437
Public Safety Interoperable Communications Grant	11.555	09-DS-31-02-47-01-417	1,858,628
Issue 10 - Large Vehicle Bomb Blast Training	97.067	10-DS-20-02-47-01-270	50,000
Issue - DEM Training	97.067	09-DS-51-02-47-01-317	40,500
Issue #5 - DCA	97.067	10-DS-39-02-47-01-361	401,284
Pass through Florida Department of Law Enforcement			
Issue 28 - LEPT - FLEX	97.004	2007-LETP-LEON-2-Q4-002	196,442
Issue 41 - LETP - Complete Florida Law Enforcement	97.067	2007-LETP-LEON-1-Q4-004	294,663
Flex - Sustain	97.067	2008-LETP-LEON-1-S3-011	121,218
Air Support	97.067	2009-SHSP-LEON-1-V3-023	68,290
Region 2 RLEX Project Manager	97.067	2011-SHSP-LEON-3-V3-097	37,191
Region 2 RLEX Project Manager	97.067	2010-LETP-LEON-1-S3-078	30,696
Pass through Florida Department of Emergency Management			
Post Disaster Redevelopment Plan Grant	97.039	Unknown	17,409
Total U.S. Department of Homeland Security			3,140,758
<u>Federal Emergency Management Agency</u>			
Pass through Florida Department of Community Affairs			
Emergency Management Performance Grant	97.042	11-FG-7W-02-47-01-056	76,493
Emergency Management Performance Grant	97.042	12-FG-R3-02-47-01-104	20,820
Total Federal Emergency Management Agency			97,313
Total Expenditures of Federal Awards			\$ 7,973,945

(continued)

Leon County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2011

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>
STATE FINANCIAL ASSISTANCE			
<u>Florida Department of Agriculture & Consumer Services</u>			
Direct Project			
State Mosquito Control	42.003	14144	14,696
<u>Florida Department of State</u>			
Direct Project			
State Aid to Libraries	45.030	11-ST-28	134,266
<u>Florida Department of Community Affairs</u>			
Direct Projects			
Emergency Management Base Grant	52.008	12-BG-05-02-47-01-037	33,962
Emergency Management Base Grant	52.008	11-BG-05-02-47-01-156	77,043
Hazardous Materials Emergency Plan	52.023	04-CP-11-02-47-01-041	8,423
Hazardous Materials Emergency Plan	52.023	03-CP-11-02-47-01-170	5,000
Hazardous Materials Emergency Plan	52.023	02-CP-11-02-47-22-027	3,889
Hazardous Materials Planning & Prevention	52.023	11 CP-03-02-47-23-115	7,500
Total Florida Department of Community Affairs			<u>135,817</u>
<u>Florida Housing Finance Corporation</u>			
Direct Projects			
State Housing Initiatives Partnership Program - FHOP	52.901	SHIP 10	18,430
State Housing Initiatives Partnership Program	52.901	SHIP 09	580,502
Total Florida Housing Finance Corporation			<u>598,932</u>
<u>Florida Department of Children and Families</u>			
Direct Project			
Criminal Justice, Mental Health and Substance Abuse Reinvestment	60.115	LHZ19	298,113
<u>Florida Department of Health</u>			
Direct Projects			
State EMS Matching Grant - Public Education Staff	64.003	M7063	39
Emergency Medical Services County Grant	64.005	C9037	58,856
Emergency Medical Services County Grant	64.005	C0037	14,388
State EMS Matching Grant	64.003	M9256	30,753
State EMS Matching Grant	64.003	M9257	10,380
Total Florida Department of Health			<u>114,416</u>
<u>Florida Department of Management Services</u>			
Direct Project			
E-911 Regional Selective Routing Installation Project	72.002	S2-09-1-14	1,395
Total Expenditures of State Financial Assistance			<u>\$ 1,297,635</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	\$ 187,229
State Housing Initiatives Partnership Program	52,901	<u>5,600,703</u>
		<u>\$ 5,787,932</u>

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

See independent auditors' report.

**Board of County Commissioners
Leon County, Florida
Schedule of Findings and Questioned Costs
Year ended September 30, 2011**

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' 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>
	14.228	U.S. Department of Housing and Urban Development Pass-through from Florida Department of Community Affairs Community Development Block Grants
	16.803	U.S. Department of Justice Pass-through from Florida Department of Law Enforcement ARRA-Edward Byrne Memorial Justice Assistance Grants
	16.804	Pass-through from City of Tallahassee ARRA-Edward Byrne Memorial Assistance Grant
	16.738	Edward Byrne Memorial Justice Assistance Grant
	20.205	U.S. Department of Transportation Pass-through from State of Florida Department of Transportation ARRA-Highway Planning and Construction
	20.219	Recreational Trails Program
	81.128	U.S. Department of Energy Direct Program ARRA-Energy Efficiency and Conservation Block Grant
	97.067	U.S. Department of Homeland Security, Office of Domestic Preparedness Pass-through from Florida Department of Community Affairs Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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.

**Board of County Commissioners
Leon County, Florida
Schedule of Findings and Questioned Costs
Year ended September 30, 2011**

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditors' 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
Rules of the Auditor General, Chapter 10.554(1)(1)(4)? No

Findings required to be reported in a management letter pursuant to
Rules of the Auditor General, Chapter 10.554(1)(i)? None reported

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Project</u>
	52.901	Florida Housing Finance Authority State Housing Initiatives Partnership Program
	45.030	Florida Department of State State Aid to Libraries

Dollar threshold used to distinguish between Type A and Type B projects: \$300,000

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.

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, 2011, and have issued our report thereon dated February 15, 2012.

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*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 15, 2012, 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 to address findings and recommendations made in the preceding annual financial audit report are noted below under 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. See our recommendations under Current Year Findings and Recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, 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, 2011, 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, 2011. 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

Security Assessment

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

Remote Cash Receipt Collection Areas

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

Prior Year Findings and Recommendations (Continued)

Remote Cash Receipt Collection Areas (continued)

During the current year, walkthroughs were performed at remote cash collections points by Board Finance Department staff. The Finance Department is currently in the process of setting up a schedule for periodic reviews with the Internal Audit Department in order to verify adherence to, and consistency with, documented control procedures at the department level.

Current Year Findings and Recommendations

Purchasing Card (P-Card)

We selected two months to perform P-card testing and selected eight employees for each month for testing compliance with policies and procedures. For one card holder tested, the transmittal form included with the credit card statement did not include all transactions and receipts. Although no prohibited transactions were noted, we recommend that annual training be provided to all employees that approve P-card transmittal forms to reinforce their understanding of the review process and the risks associated with the P-card transaction cycle.

Management's Response:

New training sessions are in development for the reconcilers and the authorized approving persons. These sessions will focus on key items to look for in the review of transactions such as sales tax exemptions for in-state purchases, appropriate purchases, itemized receipts, correct cost accounting, etc. These will be presented via new webinar capabilities available to the County so staff can receive the training without having to congregate in one spot. After initial training sessions, these courses will also be posted on the Intranet for reference purposes.

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

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

February 15, 2012