

Special-Purpose Financial Statements

Board of County Commissioners
Leon County, Florida

*Year Ended September 30, 2012
with Independent Auditors' Report*

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

Board of County Commissioners
Leon County, Florida
Special-Purpose Financial Statements
Year ended September 30, 2012

Board of County Commissioners

Akin Akinyemi, Chairman.....	At Large
Nick Maddox, Vice Chairman.....	At Large
Bill Proctor.....	District 1
Jane G. Sauls.....	District 2
John E. Dailey.....	District 3
Bryan Desloge.....	District 4
Kristen Dozier.....	District 5

COUNTY ADMINISTRATOR

Vincent S. Long

CLERK OF THE CIRCUIT COURT

Bob Inzer

Board of County Commissioners
Leon County, Florida

Special-Purpose Financial Statements

Year Ended September 30, 2012

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Independent Auditors' Report

The Honorable Board of County
Commissioners
Leon County, Florida

We have audited the accompanying special-purpose financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of County Commissioners of Leon County, Florida (the Board) as of and for the fiscal year ended, September 30, 2012, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes* and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2012, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of County Commissioners of Leon County, Florida, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund, fine and forfeiture fund, grants fund, and fire rescue services fund, for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2013, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

February 18, 2013

Board of County Commissioners
Leon County, Florida
Balance Sheet - Governmental Funds
September 30, 2012

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Assets				
Cash	\$ 389,163	\$ 0	\$ 124,847	\$ 0
Investments	35,358,770	1,637,419	3,222,685	2,324,352
Receivables (net of allowances for uncollectibles):				
Accounts	69,681	26,605	19,058	4,067
Special assessments	0	0	0	5,746,845
Due from other governments	1,283,988	4,303	7,793,751	0
Due from other funds	3,831	0	0	0
Due from other county units	947,184	1,479,419	16,438	354
Inventories	236,505	0	0	0
Other assets	100	0	0	0
Total assets	<u>\$ 38,289,222</u>	<u>\$ 3,147,746</u>	<u>\$ 11,176,779</u>	<u>\$ 8,075,618</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,643,477	\$ 9,418	\$ 38,517	\$ 32,129
Accrued liabilities	216,098	0	3,498	0
Due to other governments	5,061	0	3,272,369	7,581,495
Due to other funds	0	0	0	0
Due to other county units	67,993	0	9,864	0
Deposits	45,010	367,083	0	0
Deferred revenue	0	0	6,086,164	0
Total liabilities	<u>1,977,639</u>	<u>376,501</u>	<u>9,410,412</u>	<u>7,613,624</u>
Fund balances:				
Unreserved, reported in:				
General fund	36,311,583	0	0	0
Special revenue funds	0	2,771,245	1,766,367	461,994
Debt service funds	0	0	0	0
Capital project funds	0	0	0	0
Total fund balances	<u>36,311,583</u>	<u>2,771,245</u>	<u>1,766,367</u>	<u>461,994</u>
Total liabilities and fund balances	<u>\$ 38,289,222</u>	<u>\$ 3,147,746</u>	<u>\$ 11,176,779</u>	<u>\$ 8,075,618</u>

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

Capital Improvement Fund	Local Option Sales Tax Fund	Nonmajor Governmental Funds	Component Unit - Housing Finance Authority of Leon County	Total Governmental Funds
\$ 0	\$ 0	\$ 3,988,336	\$ 854,386	\$ 5,356,732
46,172,534	24,793,745	38,826,872	7,905	152,344,282
89,640	43,946	3,851,655	34,528	4,139,180
0	0	2,385,597	10	8,132,452
0	0	3,397,021	0	12,479,063
0	0	0	0	3,831
0	0	469,332	0	2,912,727
0	0	0	0	236,505
0	0	22,342	0	22,442
<u>\$ 46,262,174</u>	<u>\$ 24,837,691</u>	<u>\$ 52,941,155</u>	<u>\$ 896,829</u>	<u>\$ 185,627,214</u>
\$ 1,160,150	\$ 350,194	\$ 1,158,610	\$ 0	\$ 4,392,495
0	0	369,383	0	588,979
0	0	55,706	0	10,914,631
0	0	3,831	0	3,831
0	0	3,825	0	81,682
149,925	0	114,512	0	676,530
0	0	2,499,929	0	8,586,093
<u>1,310,075</u>	<u>350,194</u>	<u>4,205,796</u>	<u>0</u>	<u>25,244,241</u>
0	0	0	0	36,311,583
0	0	30,773,013	896,829	36,669,448
0	0	289,642	0	289,642
<u>44,952,099</u>	<u>24,487,497</u>	<u>17,672,704</u>	<u>0</u>	<u>87,112,300</u>
<u>44,952,099</u>	<u>24,487,497</u>	<u>48,735,359</u>	<u>896,829</u>	<u>160,382,973</u>
<u>\$ 46,262,174</u>	<u>\$ 24,837,691</u>	<u>\$ 52,941,155</u>	<u>\$ 896,829</u>	<u>\$ 185,627,214</u>

Board of County Commissioners
Leon County, Florida

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

Year Ended September 30, 2012

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Revenues				
Taxes	\$ 48,853,449	\$ 60,761,807	\$ 0	\$ 0
Licenses and permits	0	0	0	0
Intergovernmental	16,894,741	25,674	9,368,258	0
Charges for services	2,384,016	800,536	120,968	7,741,933
Fines and forfeitures	0	98,849	0	0
Interest	648,235	348,603	57,245	44,420
Miscellaneous	555,477	0	14,001	0
Total revenues	<u>69,335,918</u>	<u>62,035,469</u>	<u>9,560,472</u>	<u>7,786,353</u>
Expenditures				
Current:				
General government	14,934,478	0	10,871	0
Public safety	532,396	0	1,526,182	8,120,168
Physical environment	2,267,653	0	6,294,554	0
Transportation	0	0	6,890	0
Economic environment	2,014,864	0	162,393	0
Human services	7,296,399	100,000	921,628	0
Culture and recreation	6,318,922	0	739,337	0
Judicial	232,692	1,337,536	51,293	0
Debt Service:				
Principal retirement	0	0	0	0
Interest and fiscal charges	0	0	0	0
Other debt service costs	0	0	0	0
Total expenditures	<u>33,597,404</u>	<u>1,437,536</u>	<u>9,713,148</u>	<u>8,120,168</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,738,514</u>	<u>60,597,933</u>	<u>(152,676)</u>	<u>(333,815)</u>
Other financing sources (uses):				
Transfers in	17,967,131	1,690,371	253,174	0
Transfers out	(40,602,732)	(73,381,201)	(125,322)	(52,055)
Total other financing sources (uses)	<u>(22,635,601)</u>	<u>(71,690,830)</u>	<u>127,852</u>	<u>(52,055)</u>
Net change in fund balances	13,102,913	(11,092,897)	(24,824)	(385,870)
Fund balances at beginning of year	<u>23,208,670</u>	<u>13,864,142</u>	<u>1,791,191</u>	<u>847,864</u>
Fund balances at end of year	<u>\$ 36,311,583</u>	<u>\$ 2,771,245</u>	<u>\$ 1,766,367</u>	<u>\$ 461,994</u>

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

Capital Improvement Fund	Local Option Sales Tax Fund	Nonmajor Governmental Funds	Component Unit - Housing Finance Authority of Leon County	Total Governmental Funds
\$ 0	\$ 0	\$ 27,703,430	\$ 0	\$ 137,318,686
0	0	1,950,327	0	1,950,327
313,676	0	5,381,224	0	31,983,573
0	0	14,505,459	33,490	25,586,402
0	0	380,722	0	479,571
835,274	505,939	1,022,353	17,904	3,479,973
39,030	0	2,486,592	0	3,095,100
<u>1,187,980</u>	<u>505,939</u>	<u>53,430,107</u>	<u>51,394</u>	<u>203,893,632</u>
2,660,238	0	2,233,559	0	19,839,146
8,219,437	0	18,480,554	0	36,878,737
1,233,577	0	8,959,790	0	18,755,574
1,650,878	2,173,149	16,042,583	0	19,873,500
0	0	3,244,254	25,465	5,446,976
177,255	0	1,626,642	0	10,121,924
3,908,344	0	4,196,340	0	15,162,943
245,954	0	529,556	0	2,397,031
0	0	6,018,960	0	6,018,960
0	0	3,237,861	0	3,237,861
0	0	1,616	0	1,616
<u>18,095,683</u>	<u>2,173,149</u>	<u>64,571,715</u>	<u>25,465</u>	<u>137,734,268</u>
<u>(16,907,703)</u>	<u>(1,667,210)</u>	<u>(11,141,608)</u>	<u>25,929</u>	<u>66,159,364</u>
15,954,246	0	25,440,413	0	61,305,335
0	0	(16,518,941)	0	(130,680,251)
<u>15,954,246</u>	<u>0</u>	<u>8,921,472</u>	<u>0</u>	<u>(69,374,916)</u>
(953,457)	(1,667,210)	(2,220,136)	25,929	(3,215,552)
<u>45,905,556</u>	<u>26,154,707</u>	<u>50,955,495</u>	<u>870,900</u>	<u>163,598,525</u>
<u>\$ 44,952,099</u>	<u>\$ 24,487,497</u>	<u>\$ 48,735,359</u>	<u>\$ 896,829</u>	<u>\$ 160,382,973</u>

Board of County Commissioners
Leon County, Florida
Balance Sheet - Proprietary Funds
September 30, 2012

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash	\$ 300	\$ 201,845
Cash with fiscal agent	0	39,708
Investments	9,453,908	4,849,261
Accounts	1,248,970	36,023
Due from other governments	0	22,350
Due from other county units	882	0
Inventories	11,143	78,553
Total current assets	10,715,203	5,227,740
Noncurrent assets:		
Restricted cash and investments	7,126,955	0
Capital assets:		
Land nondepreciable	1,809,844	0
Depreciable (net)	11,075,941	0
Total noncurrent assets	20,012,740	0
Total assets	\$ 30,727,943	\$ 5,227,740
Liabilities		
Current liabilities:		
Accounts payable	\$ 130,330	\$ 285,653
Accrued liabilities	151,116	38,950
Due to other governments	25	0
Other current liabilities	0	2,599,596
Total current liabilities	281,471	2,924,199
Noncurrent liabilities:		
Liability for closure costs/maintenance	11,327,787	0
Accrued liabilities	116,779	0
Total noncurrent liabilities	11,444,566	0
Total liabilities	11,726,037	2,924,199
Net assets		
Invested in capital assets, net of related debt	12,003,333	7,299,013
Designated for rate stabilization	6,998,573	0
Unrestricted	0	(4,995,472)
Total net assets	19,001,906	2,303,541
Total liabilities and net assets	\$ 30,727,943	\$ 5,227,740

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

Board of County Commissioners
Leon County, Florida
Statement of Revenues, Expenses, and Changes in
Fund Net Assets - Proprietary Funds
Year Ended September 30, 2012

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
Operating revenues		
Charges for services	\$ 7,052,049	\$ 5,632,808
Total operating revenues	<u>7,052,049</u>	<u>5,632,808</u>
Operating expenses		
Personnel services	2,153,535	650,825
Contractual services	5,422,546	119,096
Supplies	438,232	1,581,441
Communications services	23,418	471,391
Insurance	40,692	2,046,158
Utility services	304,845	20,496
Depreciation	483,546	0
Other services and charges	2,161,276	629,664
Total operating expenses	<u>11,028,090</u>	<u>5,519,071</u>
Operating income (loss)	<u>(3,976,041)</u>	<u>113,737</u>
Nonoperating revenues:		
Taxes	1,481,624	0
Interest	358,544	151,167
Miscellaneous	340,190	0
Total nonoperating revenues	<u>2,180,358</u>	<u>151,167</u>
Income (loss) before contributions and transfers	(1,795,683)	264,904
Transfers in	1,026,334	0
Transfers out	<u>(29,632)</u>	<u>(5,494,505)</u>
Change in net assets	(798,981)	(5,229,601)
Net assets at beginning of year	19,800,887	7,533,142
Net assets at end of year	<u>\$ 19,001,906</u>	<u>\$ 2,303,541</u>

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

Board of County Commissioners
Leon County, Florida
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2012

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 6,661,948	\$ 357,239
Payments to suppliers	(8,644,419)	(4,291,371)
Payments to employees	(2,142,960)	(638,667)
Internal activity - payments to other funds	(40,692)	0
Internal activity - cash received from other funds	0	5,233,599
Claims paid	0	(765,000)
Net cash used in operating activities	(4,166,123)	(104,200)
Cash flows from noncapital financing activities		
Tax proceeds	1,481,624	0
Repayments on interfund loans	(9)	0
Transfers from other funds	1,026,334	0
Transfers to other funds	(29,632)	(5,494,505)
Net cash provided by (used in) noncapital financing activities	2,478,317	(5,494,505)
Cash flows from capital and related financing activities		
Sale of property	1,083,939	0
Acquisition and/or construction of capital assets	(1,310,766)	0
Net cash used in capital and related financing activities	(226,827)	0
Cash flows from investing activities		
Proceeds from sales and maturities of investments	6,106,573	7,159,406
Purchases of investments	(4,338,668)	(1,513,291)
Interest and dividends received	146,484	117,468
Net cash provided by investing activities	1,914,389	5,763,583
Net (decrease) increase in cash	(244)	164,878
Cash at beginning of year	544	76,675
Cash at end of year	\$ 300	\$ 241,553

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

Board of County Commissioners
Leon County, Florida
Statement of Cash Flows - Proprietary Funds (continued)
Year Ended September 30, 2012

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Reconciliation of operating (loss) income to net cash (used in) operating activities		
Operating (loss) income:	\$ (3,976,041)	\$ 113,737
Adjustment to reconcile operating (loss) income to net cash (used in) operating activities:		
Depreciation expense	483,546	0
Change in assets and liabilities:		
Accounts and intergovernmental receivables	(612,213)	(41,971)
Inventories	(2,895)	2,660
Accounts payable and other liabilities	(291,208)	(190,784)
Accrued expenses	10,575	12,158
Estimated liability for closure costs/maintenance	222,113	0
Net cash (used in) operating activities	\$ (4,166,123)	\$ (104,200)

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

Board of County Commissioners
Leon County, Florida
Budgetary Comparison Statement - General Fund
Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes	\$ 47,895,736	\$ 47,895,736	\$ 48,853,449	\$ 957,713
Intergovernmental	16,413,014	16,413,014	16,894,741	481,727
Charges for services	2,223,061	2,223,061	2,384,016	160,955
Interest	330,410	330,410	648,235	317,825
Miscellaneous	247,475	247,475	555,477	308,002
Total revenues	<u>67,109,696</u>	<u>67,109,696</u>	<u>69,335,918</u>	<u>2,226,222</u>
Expenditures				
General government	16,291,441	19,349,352	14,934,478	4,414,874
Public safety	405,338	532,397	532,396	1
Physical environment	2,337,597	2,361,772	2,267,653	94,119
Economic environment	2,203,173	2,243,173	2,014,864	228,309
Human services	7,634,442	8,109,525	7,296,399	813,126
Culture and recreation	6,931,871	6,858,006	6,318,922	539,084
Judicial	226,714	238,264	232,692	5,572
Total expenditures	<u>36,030,576</u>	<u>39,692,489</u>	<u>33,597,404</u>	<u>6,095,085</u>
Excess of revenues over expenditures	31,079,120	27,417,207	35,738,514	8,321,307
Other financing sources (uses):				
Transfers in	4,077,699	17,427,699	17,967,131	539,432
Transfers out	<u>(38,206,819)</u>	<u>(54,105,043)</u>	<u>(40,602,732)</u>	<u>13,502,311</u>
Total other financing sources (uses)	<u>(34,129,120)</u>	<u>(36,677,344)</u>	<u>(22,635,601)</u>	<u>14,041,743</u>
Net change in fund balance	(3,050,000)	(9,260,137)	13,102,913	22,363,050
Fund balance at beginning of year	<u>23,208,670</u>	<u>23,208,670</u>	<u>23,208,670</u>	<u>0</u>
Fund balance at end of year	<u>\$ 20,158,670</u>	<u>\$ 13,948,533</u>	<u>\$ 36,311,583</u>	<u>\$ 22,363,050</u>

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

Board of County Commissioners
Leon County, Florida
Budgetary Comparison Statement - Fine & Forfeiture Fund
Year Ended September 30, 2012

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

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

Board of County Commissioners
Leon County, Florida
Budgetary Comparison Statement - Grants Fund
Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 311,833	\$ 22,254,275	\$ 9,368,258	\$(12,886,017)
Charges for services	122,075	307,830	120,968	(186,862)
Interest	0	1,703	57,245	55,542
Miscellaneous	0	1,999,092	14,001	(1,985,091)
Total revenues	<u>433,908</u>	<u>24,562,900</u>	<u>9,560,472</u>	<u>(15,002,428)</u>
Expenditures				
General government	0	157,099	10,871	146,228
Public safety	585,942	4,829,034	1,526,182	3,302,852
Physical environment	0	12,713,322	6,294,554	6,418,768
Transportation	0	1,897,879	6,890	1,890,989
Economic environment	0	300,176	162,393	137,783
Human services	0	1,413,008	921,628	491,380
Culture and recreation	15,000	3,770,948	739,337	3,031,611
Judicial	2,479	109,159	51,293	57,866
Total expenditures	<u>603,421</u>	<u>25,190,625</u>	<u>9,713,148</u>	<u>15,477,477</u>
(Deficiency) excess of revenue (under) over expenditures	<u>(169,513)</u>	<u>(627,725)</u>	<u>(152,676)</u>	<u>475,049</u>
Other financing sources (uses):				
Transfers in	259,513	391,532	253,174	(138,358)
Transfers out	<u>(90,000)</u>	<u>(202,525)</u>	<u>(125,322)</u>	<u>77,203</u>
Total other financing sources (uses)	<u>169,513</u>	<u>189,007</u>	<u>127,852</u>	<u>(61,155)</u>
Net change in fund balance	0	(438,718)	(24,824)	413,894
Fund balance at beginning of year	<u>1,791,191</u>	<u>1,791,191</u>	<u>1,791,191</u>	<u>0</u>
Fund balance at end of year	<u>\$ 1,791,191</u>	<u>\$ 1,352,473</u>	<u>\$ 1,766,367</u>	<u>\$ 413,894</u>

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

Board of County Commissioners
Leon County, Florida
Budgetary Comparison Statement - Fire Rescue Services Fund
Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes	\$ 54,434	\$ 54,434	\$ 0	\$ (54,434)
Charges for services	6,882,627	6,882,627	7,741,933	859,306
Interest	0	0	44,420	44,420
Total revenues	<u>6,937,061</u>	<u>6,937,061</u>	<u>7,786,353</u>	<u>849,292</u>
Expenditures				
Public safety	<u>6,903,981</u>	<u>7,250,200</u>	<u>8,120,168</u>	<u>(869,968)</u>
Total expenditures	<u>6,903,981</u>	<u>7,250,200</u>	<u>8,120,168</u>	<u>(869,968)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>33,080</u>	<u>(313,139)</u>	<u>(333,815)</u>	<u>(20,676)</u>
Other financing sources (uses):				
Transfers out	<u>(33,080)</u>	<u>(58,080)</u>	<u>(52,055)</u>	<u>6,025</u>
Total other financing sources (uses)	<u>(33,080)</u>	<u>(58,080)</u>	<u>(52,055)</u>	<u>6,025</u>
Net change in fund balance	0	(371,219)	(385,870)	(14,651)
Fund balance at beginning of year	<u>847,864</u>	<u>847,864</u>	<u>847,864</u>	<u>0</u>
Fund balance at end of year	<u>\$ 847,864</u>	<u>\$ 476,645</u>	<u>\$ 461,994</u>	<u>\$ (14,651)</u>

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

Board of County Commissioners
Leon County, Florida
Statement of Fiduciary Assets and Liabilities - Agency Fund
September 30, 2012

Assets

Cash	\$ 24,805
Accounts receivable	977,250
Total assets	<u>\$ 1,002,055</u>

Liabilities

Accounts payable	\$ 433,773
Accrued liabilities	568,282
Total liabilities	<u>\$ 1,002,055</u>

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 1. Accounting Policies

Reporting Entity

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

Component Units

The component unit discussed below is included in the Board's reporting entity either because of the significance of the operational relationship or the Board is financially accountable for the component unit. The Board is financially accountable for an organization when the Board appoints a voting majority of the organization's governing body and is able to impose its will on the organization; there is a potential for the organization to provide a financial benefit or impose a financial burden on the Board; or the organization is fiscally dependent on the Board.

Specific criteria used to determine financial accountability are:

- Selection of a voting majority of the governing body.
- Imposition of Will: Ability to remove appointed members at will; ability to approve or modify rate charges affecting revenue; ability to appoint, hire or dismiss management.
- Financial Benefit or Burden Relationship: The Board is legally entitled to or can otherwise access the organization's resources; the Board is legally obligated or has otherwise assumed the obligation to finance the deficits of or provide support to the organization; or the Board is obligated in some manner for the debt of the organization.
- Fiscal Dependency: Ability to approve or modify the organization's budget or rate charges; ability to approve debt issuances and/or tax levies.

Financial statements of component units are included in the financial reporting entity either as a blended component unit or as a discretely presented component unit in accordance with governmental accounting

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 1. Accounting Policies (continued)

Component Units (continued)

standards. At September 30, 2012, the only component unit of the Board is The Housing Finance Authority of Leon County (the Authority) which is discretely presented in a separate column on the Board's financial statements.

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

The Authority's governing board is appointed by the Board; the budget is approved by the Board; all bonds issued and contracts entered into must be approved by the Board; the Board may, at its sole discretion, and at anytime, alter or change the structure, organization, programs or activities of the Authority, including the power to terminate the Authority; and the Board maintains the books and records of the Authority. This component unit is reported in a separate column to emphasize that it is legally separate from the Board. Separate financial information for the Housing Finance Authority is available at 918 Railroad Avenue, Tallahassee, Florida 32310 (Note 12).

Excluded from the Reporting Entity:

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

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

- Leon County School Board District
- Leon County Health Department
- Tallahassee - Leon County Civic Center Authority
- Fallschase Special Taxing District
- Northwest Florida Water Management District
- Piney Z Community Development District

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 1. Accounting Policies (continued)

Basis of Presentation

The special-purpose fund financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the Auditor General, State of Florida.

Description of Funds

Governmental Major Funds:

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

General Fund – The General Fund is the general operating fund of the Board. This fund is used to account for all financial transactions not required to be accounted for in another fund.

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

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

Fire Rescue Services Fund – This fund was established to fund enhanced fire protection services in the unincorporated area of Leon County. The 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 interlocal agreement, the fire rescue and emergency management services are functionally consolidated under the city and county.

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 1. Accounting Policies (continued)

Description of Funds (continued)

Governmental Major Funds: (continued)

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

Proprietary Major Fund:

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

Other Fund Types:

Internal Service Funds – These funds account for goods or services provided by various departments to other departments of the Board on a cost-reimbursement basis.

Agency Funds – These funds account for assets held by the Board as an agent for individuals, private organizations, and/or other governmental units. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the fund financial statements and relates to the timing of the measurements made.

The accompanying special-purpose financial statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all Governmental Funds. Accordingly,

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 1. Accounting Policies (continued)

Basis of Accounting (continued)

revenues are recognized when measurable and available to pay liabilities of the current period and expenditures are generally recorded when the liability is incurred and/or will be paid from expendable available financial resources. The Board considers receivables collected within 60 days after year-end to be available and susceptible to accrual as revenues of the current year. The following revenues are considered to be susceptible to accrual: taxes, charges for services, interest, state revenue sharing, federal forestry revenue, insurance agents' revenue, various other gas taxes, gas tax pourover trust, federal and state grants, planning and zoning revenue, municipal service franchise fees, and special assessments.

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

The financial statements of the Proprietary Funds and Fiduciary Funds (Agency Funds) are prepared on the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities. The Proprietary Funds do not apply all FASB accounting standards issued after November 30, 1989.

Budgets and Budgetary Accounting

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

Annual budgets for the governmental fund types and the Housing Finance Authority of Leon County are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgets are not adopted for the fiduciary funds. The legal level of budgetary control is at the fund level; however, budgets are monitored at varying levels of detail.

All annual appropriations lapse at fiscal year end, although the Board expects to honor purchase orders and contracts in process, subject to authority provided in the subsequent year's budget.

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 1. Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

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

1. On or before May 1 of each year, the designated budget officer submits to the Board a tentative budget for the ensuing fiscal year. The tentative budget includes proposed expenditures and funding sources.
2. The Board requires such changes to be made as it shall deem necessary, provided the budget remains in balance and subject to the notice and hearing requirements of Section 200.065, *Florida Statutes* and the budget preparation and adoption procedures, as defined in Section 129.03, *Florida Statutes*. The legal level of budgetary control is at the fund level.
3. Public hearings are held pursuant to Section 200.065, *Florida Statutes* in order for the Board to adopt the tentative and final budgets.
4. Prior to October 1, the budget is legally enacted through passage of a resolution.
5. All changes to the final budget must be approved by the Board in accordance with Section 129.06, *Florida Statutes*.
6. Formal budgetary integration is used as a management control device during the year for all governmental funds of the Board.
7. Budgets for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Applicable budgets of Constitutional Officers are controlled by appropriations in accordance with budgetary requirements set forth in the *Florida Statutes*.

Cash and Investments

Cash includes amounts in demand deposits. The Board's investments consist of U.S. Government obligations, money market funds, municipal bonds, and commercial paper of prime quality and are reported at fair value.

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments of the Board are reported at amortized cost, which approximates fair value.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 1. Accounting Policies (continued)

Cash and Investments (continued)

During the 2011-2012 fiscal year, the Board invested in three different investment pools: the Special Purpose Investment Account (SPIA) within the Florida Treasury Investment Pool (the Pool) administered by the Florida Department of Financial Services, as authorized by Section 17.61(1), *Florida Statutes*; The Florida Local Government Investment Trust (FLGIT), a local government investment pool developed through the joint efforts of the Florida Association of Court Clerks (FACC) and the Florida Association of Counties (FAC); and The Florida Municipal Investment Trust (FMIVT), administered by the Florida League of Cities, Inc. The FMIVT is an Authorized Investment under Section 163.01, *Florida Statutes*.

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

Receivables

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

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered or goods provided resulting in receivables and payables that are classified as “due from other funds” or “due to other funds” on the balance sheet.

Inventories

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

Restricted Assets

Investments that are held in escrow in accordance with the Florida Administrative Code requirement for landfill closure and post-closure costs are shown as restricted in the Enterprise Fund.

Capital Assets

Capital assets purchased in the governmental fund types are recorded as expenditures (capital outlay) at the time of purchase. Such assets are reported as capital assets in the Statement of Net Assets as part of the county-wide basic financial statements. The Board does not record depreciation of these assets on its governmental fund financial

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 1. Accounting Policies (continued)

Capital Assets (continued)

statements, although depreciation is recorded for such assets in the county-wide financial statements. Donated assets are recorded at fair market value at the date of donation. Accounting policies for capitalization and depreciation of infrastructure assets including roads, bridges, curbs, gutters, and sidewalks are described in the county-wide financial statements. A summary of capital assets purchased by the Board's governmental funds is provided in Note 4.

Fixed Assets

Fixed assets acquired in the Proprietary Funds are capitalized at cost. Gifts or contributions are recorded at fair market value at the time received. Depreciation on property and equipment in the Proprietary Funds is computed using the straight-line method over the estimated useful lives. The Board follows the policy of capitalizing interest as a component of the cost of proprietary fund type fixed assets constructed for its own use.

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

Liability for Compensated Absences

The Board accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. The Board does not, nor is it legally required to accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for the compensated absences is not reported in the governmental funds. However, the current and long-term portion of the liability for compensated absences is reported on the county-wide Statement of Financial Position for Leon County, Florida.

Other Postemployment Benefits

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

Executive Service Plan

Executive service and senior management employees of the Board are entitled to severance pay if terminated from employment. If there is a contract or employment agreement, severance pay may not exceed an amount greater than twenty weeks of compensation. If there is no contract, severance pay is limited to six weeks.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 1. Accounting Policies (continued)

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative managerial plans or intent for future use of financial resources.

Common Expenses

Certain expenses that are common to the Board and all Constitutional Officers are reported as expenditures of the Board and, therefore, are not budgeted by or allocated to the other Constitutional Officers. These are:

- Occupancy costs
- Property insurance
- Utilities (except telephone), and
- Janitorial service

Operating Transfers

The Board funds a portion or, in certain instances, all of the operating budgets of the County's Constitutional Officers. The payments by the Board to fund the operations of the Constitutional Officers are recorded as operating transfers out on the financial statements of the Board and as operating transfers in on the financial statements of the Constitutional Officers. Repayments to the Board are recorded as operating transfers out on the financial statements of the Constitutional Officers and as operating transfers in on the financial statements of the Board.

Use of Estimates

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

Note 2. Property Taxes

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special taxing districts, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of Florida regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit counties to levy property taxes at a rate of up to 10 mills. The tax levy of Leon County is established by the Board prior to October 1 of each year. The millage rate collected by the Board during the current fiscal year was 7.850 mills. County citizens were also assessed for emergency medical services through a Municipal Services Taxing Unit at a millage rate of 0.5000 mills. For County citizens charged a special assessment, the required annual payment is included on their tax bill.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 2. Property Taxes (continued)

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

All taxes are due and payable on November 1 of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. No accrual for the property tax levy becoming due in September 30, 2012 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, 2012.

Note 3. Cash and Investments

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

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Deposits in Qualified Public Depositories	\$ 5,610,633	N/A	N/A
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	55,602,142	A+f	2.58
Florida Local Government Investment Trust Government Fund (FLGIT)	14,499,655	AAAf	1.84
Florida Municipal Investment Trust (FMivT) 1-3 Year High Quality Bond Fund	27,382,710	AAA/V2	1.64
Florida Municipal Investment Trust (FMivT) 0-2 Year High Quality Bond Fund	49,897	AAA/V1	0.83

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 3. Cash and Investments (continued)

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Externally Managed Portfolio:			
Money Market	\$ 506,973	AAA	0.08
U.S. Treasuries	21,258,429	AA+	2.24
Government Sponsored Agencies:			
Fannie Mae	11,777,029	AA+	1.50
Federal Home Loan Mortgage Corp	645,434	AA+	0.51
Other Government Sponsored Agencies	7,547,615	AA+	1.15
Temporary Liquidity Guarantee	476,439	AA+	2.65
Collateralized Mortgage Obligations	2,126,949	AA+	1.54
Commercial Paper	2,047,477	A-1	0.32
Corporate Bonds	4,335,401	AA	1.75
Corporate Bonds	14,347,480	A	2.12
Municipal Bonds	3,194,819	AAA	3.51
Municipal Bonds	4,834,737	AA	1.65
Municipal Bonds	970,002	A	3.15
Asset-backed Securities	2,119,334	AAA	0.92
Asset-backed Securities	<u>22,443</u>	A	0.05
Total Cash and Investments	<u>\$ 179,355,598</u>		

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

Credit Risk

The County Investment Policy provides a structure for the portfolio that is designed to minimize credit risk. The majority of the securities held will be those of the highest available credit quality ratings. 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.

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

1. The Local Government Surplus Funds Trust Fund or any authorized intergovernmental investment pool.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 3. Cash and Investments (continued)

Credit Risk (continued)

2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities.
6. Securities of, or other interests in, any management type investment company or trust registered under the Investment Company Act of 1940, where the investment portfolio is limited to United States Government Obligations.
7. Other investments authorized by law or by ordinance for a county or a municipality.

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

The County’s Investment Policy limits credit risk by restricting authorized investments to the following: Local Government Surplus Funds Trust Fund, State of Florida Special Purpose Investment Account, direct obligations of the United States or its agencies and instrumentalities, direct obligations of states and municipalities, repurchase agreements, commercial paper, bankers’ acceptances, money market mutual funds, the Florida Local Government Investment Trust (FLGIT), and the Florida Municipal Investment Trust (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 Florida Treasury Investment Pool is rated by Standard and Poor’s. The rating as of September 30, 2012 was A+f. Investments in this pool are limited to a maximum of 50% of the portfolio. A copy of SPIA’s most recent financial statements can be found at http://www.fltreasury.org/fs_01.html.

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At year end, the FLGIT was invested in money markets, treasury notes, asset-

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 3. Cash and Investments (continued)

Credit Risk (continued)

backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAA by Standard & Poor's. Investments in this pool are limited to a maximum of 15% of the portfolio. A copy of FLGIT's most recent financial statements can be found at <http://www.floridatrusionline.com/about>

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

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, invests in government and high quality securities while maintaining an average maturity of approximately one year. The performance of the portfolio is measured against the Merrill Lynch One Year Treasury Note Index. The portfolio is managed by Atlanta Capital Management. Investments in this pool are limited to a maximum of 15% of the portfolio. A copy of FMIvT's most recent financial statements can be found at <http://www.floridaleagueofcities.com/Default.aspx>.

Custodial Credit Risk

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

Qualified public depositories of public funds are required to provide collateral each month pursuant to Section 280.04, Florida Statutes. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. The County's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2012, were \$11,542,796.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 3. Cash and Investments (continued)

Custodial Credit Risk (continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of investments. The county manages interest rate risk by setting the range of duration for the county's portfolio as 0.5 years to 2.5 years, with a five-year average of 1.5 years. The effective duration of investments is listed in the preceding table.

The externally managed portfolio totaled \$76,210,561 at September 30, 2012, and was invested for a weighted average term of 770 days. The County requires a minimum balance of short term investments. The portfolio shall maintain in liquid investments (defined as repurchase agreements purchased under the terms of the County's depository contract, open repurchase agreements, negotiable certificates of deposit, banker's acceptance, commercial paper, U.S. Treasury direct and agency obligations, money market funds, all having a maturity of 90 days or less, and SPIA) a minimum balance equal to one-twelfth of the current fiscal year's budgeted operating expenditures. The Board was in compliance with this requirement.

Foreign Currency Risk

The County contributes to the Florida Retirement System (FRS), the investments of which are administered by the State Board of Administration. The FRS'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.myfloridacfo.com/aadir/statewide_financial_reporting/index.htm.

Note 4. Fixed Assets

A summary of changes in fixed assets and depreciation for the year ended September 30, 2012, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 20,208,716	\$ 0	\$ 0	\$ 20,208,716
Improvements other than buildings	14,626,843	0	0	14,626,843
Buildings and improvements	165,350,537	514,588	0	165,865,125

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 4. Fixed Assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>
Equipment	50,918,433	4,050,592	(2,575,944)	52,393,081
Construction in progress	39,928,125	14,405,210	(5,236,720)	49,096,615
Totals at historical cost	<u>\$291,032,654</u>	<u>\$ 18,970,390</u>	<u>\$ (7,812,664)</u>	<u>\$302,190,380</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>
Business type activities:				
Land	\$ 1,809,844	\$ 0	\$ 0	\$ 1,809,844
Buildings, improvements, and construction in progress	19,276,507	151,725	0	19,428,232
Equipment	5,397,492	1,159,031	(1,130,786)	5,425,737
Totals at historical cost	<u>26,483,843</u>	<u>1,310,756</u>	<u>(1,130,786)</u>	<u>26,663,813</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,116,477)	(35,619)	0	(11,152,096)
Equipment	(2,565,052)	(447,927)	387,048	(2,625,931)
Total accumulated depreciation	<u>(13,681,529)</u>	<u>(483,546)</u>	<u>387,048</u>	<u>(13,778,027)</u>
	<u>\$ 12,802,314</u>	<u>\$ 827,210</u>	<u>\$ (743,738)</u>	<u>\$ 12,885,786</u>

Note 5. Long-Term Debt

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

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
Long-Term Debt					
Special revenue debt:					
Capital Improvement Revenue					
Bonds, Series 2003A	\$ 7,965,000	\$ 0	\$ 0	\$ 7,965,000	\$ 0
Taxable Capital Improvement Revenue Bonds, Series 2003B	12,465,000	0	0	12,465,000	0

Board of County Commissioners
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Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 5. Long-Term Debt (continued)

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
Capital Improvement Revenue Refunding Bonds, Series 2005	47,490,000	0	(2,985,000)	44,505,000	3,090,000
Capital Improvement Revenue Refunding Bonds, Series 2011	<u>5,342,830</u>	<u>0</u>	<u>(2,656,760)</u>	<u>2,686,070</u>	<u>2,686,070</u>
Total special revenue debt	<u>73,262,830</u>	<u>0</u>	<u>(5,641,760)</u>	<u>67,621,070</u>	<u>5,776,070</u>
Note payable	2,870,700	0	(377,200)	2,493,500	391,456
Liability for compensated absences	4,146,600	1,810,806	(1,606,048)	4,351,358	1,407,669
Other postemployment benefits	1,448,333	447,351	(51,614)	1,844,070	395,737
Arbitrage rebate liability	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0</u>
	<u>\$ 81,753,463</u>	<u>\$ 2,258,157</u>	<u>\$ (7,676,622)</u>	<u>\$ 76,334,998</u>	<u>\$ 7,970,932</u>

Total interest costs incurred for general long-term debt by the Board, including amortization of bond refunding costs, for the year ended September 30, 2012, was \$3,237,861.

B. A summary of each special revenue debt obligation outstanding at September 30, 2012 is as follows:

	<u>Outstanding at September 30, 2012</u>
\$7,965,000, Capital Improvement Revenue Bonds, Series 2003A, (i) to pay a portion of the costs of the acquisition of the Bank of America Building, and (ii) the construction of improvements to the Bank of America Building, and (iii) to finance improvements to the County's courthouse and parking garage. The bonds dated May 27, 2003, are in denominations of \$5,000 each and bear interest of 3.70% to 4.50% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2003. The bond principal matures serially on October 1 of each year for three years beginning October 1, 2018.	\$ 7,965,000
\$12,465,000, Taxable Capital Improvement Revenue Bonds, Series 2003B, to, (i) pay a portion of the costs of the acquisition of the Bank of America Building, and (ii) pay capitalized interest and issuance costs on the Series 2003 bonds, and (iii) pay bond issuance costs. The bonds dated May 27, 2003, are in denominations of \$5,000 each and bear interest from 4.80% to 4.85% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2003. The bond principal matures serially on October 1 of each year for two years beginning October 1, 2018.	12,465,000

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 5. Long-Term Debt (continued)

**Outstanding at
September 30,
2012**

\$54,695,000, Capital Improvement Revenue Refunding Bonds, Series 2005, (i) to finance a portion of the cost of the Series 2005 Project, (ii) to refund the County's Capital Improvement Revenue Bonds, Series 1997, maturing in the years 2008 through 2017, (iii) to refund the County's Capital Improvement Revenue Bonds, Series 1998A, maturing in the years 2014 through 2017, (iv) to refund the County's Capital Improvement Revenue Bonds, Series 1999, maturing in the years 2010 through 2017, (v) to pay capitalized interest on a portion of the Series 2005 Bonds, and (vi) to pay the costs of issuance of the 2005 Bonds, including the premiums in respect of a financial guaranty insurance policy and the surety bond to be deposited into the Reserve Fund. The bonds dated March 30, 2005, are in denominations of \$5,000 each and bear interest from 3% to 5% per annum. The interest on the bonds is payable on April 1, and October 1, beginning October 1, 2006. The bond principal matures serially on October 1 of each year beginning October 1, 2006.

44,505,000

\$7,895,040 Capital Improvement Revenue Refunding Bonds, Series 2011, (i) to 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 serially on October 1 of each year beginning October 1, 2011. The bond principal matures on October 1, 2013.

2,686,070

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

Total Special Revenue Debt

\$ 67,621,070

Board of County Commissioners
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Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 5. Long-Term Debt (continued)

The Board's note payable at September 30, 2012 is as follows:

**Outstanding at
September 30,
2012**

SunTrust Equipment Finance & Leasing Corp

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

\$ 2,493,500

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

	<u>Year ending September 30,</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital Improvement Revenue Refunding Bonds, Series 2005	\$ 5,097,219	\$ 7,969,406	\$ 7,976,381	\$ 7,970,781	\$ 7,973,181
Capital Improvement Revenue Refunding Bonds, Series 2011	2,716,960	0	0	0	0
Capital Improvement Revenue Bonds, Series 2003A	352,170	352,170	352,170	352,170	352,170
Taxable Capital Improvement Revenue Bonds, Series 2003B	601,510	601,510	601,510	601,510	601,510
Note payable	484,513	484,513	484,514	484,514	484,514
Total Debt Service	<u>\$ 9,252,372</u>	<u>\$ 9,407,599</u>	<u>\$ 9,414,575</u>	<u>\$ 9,408,975</u>	<u>\$ 9,411,375</u>
	<u>2018-2022</u>	<u>2023-2025</u>	<u>Total Payments</u>	<u>Less Interest</u>	<u>Principal</u>
Capital Improvement Revenue Refunding Bonds, Series 2005	\$ 9,200,406	\$ 10,520,951	\$ 56,708,325	\$ 12,203,325	\$ 44,505,000
Capital Improvement Revenue Refunding Bonds, Series 2011	0	0	2,716,960	30,890	2,686,070
Capital Improvement Revenue Bonds, Series 2003A	8,975,020	0	10,735,870	2,770,870	7,965,000
Taxable Capital Improvement Revenue Bonds, Series 2003B	13,375,940	0	16,383,490	3,918,490	12,465,000
Note payable	484,514	0	2,907,082	413,582	2,493,500
Total Debt Service	<u>\$ 32,035,880</u>	<u>\$ 10,520,951</u>	<u>\$ 89,451,727</u>	<u>\$ 19,337,157</u>	<u>\$ 70,114,570</u>

Board of County Commissioners
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Year Ended September 30, 2012

Note 6. Employees' Retirement Plan

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

Participating employer contributions are based upon actuarially determined blended rates established by the State Legislature that are expressed as percentages of annual covered payroll and are adequate to accumulate sufficient assets to pay benefits when due. Prior to July 1, 2011, the FRS was employee noncontributory. Beginning July 1, 2011, employees who are not participating in the Deferred Retirement Option Plan are required to contribute 3% of their salary to the FRS.

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

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2012, the contribution rate was 1.11% of payroll pursuant to Section 112.363, *Florida Statutes*.

The total employer retirement contributions for the fiscal years ended September 30, 2012, 2011, and 2010 were \$2,106,821, \$3,698,159, and \$3,977,893, respectively, which is equal to the required contribution for each year.

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

Note 7. Other Postemployment Benefits

Plan Description

The Board participates in an agent multiple-employer plan administered by Leon County, Florida (the County) under which qualified retired employees are permitted to participate in the health and life insurance benefits

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 7. Other Postemployment Benefits (continued)

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Normal cost (service cost for one year)	\$ 220,520
Amortization of unfunded actuarial accrued liability	234,456
Interest on normal cost and amortization	<u>18,199</u>
Annual required contribution	473,175
Interest on net OPEB obligation	57,933
Adjustment to annual required contribution	<u>(83,757)</u>
Annual OPEB cost	447,351
Contributions made	<u>(51,614)</u>
Increase in net OPEB obligation	395,737
Net OPEB obligation at beginning of year	<u>1,448,333</u>
Net OPEB obligation at end of year	<u><u>\$ 1,844,070</u></u>

The Board's share of the County's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the preceding two years is as follows:

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 7. Other Postemployment Benefits (continued)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2012	\$ 447,351	\$ 51,614	12%	\$ 1,844,070
September 30, 2011	\$ 454,650	\$ 45,236	10%	\$ 1,448,333
September 30, 2010	\$ 482,623	\$ 74,427	15%	\$ 1,038,919

Funded Status and Funding Progress

As of September 30, 2012, the Board's share of the actuarial accrued liability for benefits recognized in the County's financial statements was \$4,216,369, all of which was unfunded. The Board's covered payroll (annual payroll of active employees covered by the plan) was \$32,816,737. The ratio of the Board's actuarial accrued liability to the Board's covered payroll was 13% at September 30, 2012.

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

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, 2012, was 30 years.

Board of County Commissioners
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Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 8. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The following is a summary of the County's coverage and exposure relating to the various risks of loss retained as of September 30, 2012.

General Liability

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

The actuarially determined liability determined below reflects open claims associated with these carriers.

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

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

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

Workers' Compensation

The Board maintains a self-insurance Internal Service Fund (the Fund) to account for insurance activities relating to workers' compensation, which is administered by a third-party administrator, Preferred Governmental Claims Solutions. Under this program, the Board absorbs losses up to a maximum of \$350,000 for each claim. At September 30, 2012, the Board had \$40,000 deposited with the third-party administrator for use against future claims. The Board purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded the retention level for this commercial coverage in the current year and any of the past four years.

All funds of the Board participate in this program and make payments to the Insurance Service Fund based on payroll exposure in the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Net assets of the Self Insurance Fund are reserved for anticipated future catastrophic losses pursuant to County policy and GASB Statement No. 10.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 8. Risk Management (continued)

Workers' Compensation (continued)

The actuarially-determined claims liability for workers' compensation of \$2,531,277, which includes incurred but not reported claims of \$1,325,737, reported in the Fund at September 30, 2012 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount were as follows:

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

Automobile Liability

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

All funds of the Board participate in this program and pay premiums to the Insurance Service Fund based on the vehicles used by their personnel. Changes in the Fund's claims liability were as follows:

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

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

Board of County Commissioners
 Leon County, Florida
 Notes to Special-Purpose Financial Statements
 Year Ended September 30, 2012

Note 9. Leases

In June 2003, the Board purchased the Bank of America building. There are several noncancellable operating lease agreements for the rental of its building. The lease agreements provide for monthly rentals, which escalate over the lease terms and expire on various dates. Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2012, are as follows:

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

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

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

Note 10. Other Required Individual Fund Disclosures

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

Interfund receivable and payable balances at September 30, 2012, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,831	\$ 0
Non-major Governmental Funds	<u>0</u>	<u>3,831</u>
	<u>\$ 3,831</u>	<u>\$ 3,831</u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 10. Other Required Individual Fund Disclosures (continued)

Interfund Transfers for the year ended September 30, 2012, consisted of the following:

Transfers to the General Fund from:	
Nonmajor Governmental Funds	\$ 5,256
Total Transfers to the General Fund	<u>5,256</u>
Transfers to the Fine & Forfeiture Fund from:	
Nonmajor Governmental Funds	435,273
Total Transfers to the Fine & Forfeiture Fund	<u>435,273</u>
Transfers to the Grants Fund from:	
General Fund	121,155
Nonmajor Governmental Funds	132,019
Total Transfers to the Grants Fund	<u>253,174</u>
Transfers to the Capital Improvement Fund from:	
General Fund	3,725,115
Fire Assessment Fund	25,000
Nonmajor Governmental Funds	6,709,626
Total Transfers to the Capital Improvement Fund	<u>10,459,741</u>
Transfers to the Nonmajor Governmental Funds:	
General Fund	17,647,678
Other Nonmajor Funds	7,792,735
Total Transfers to the Nonmajor Governmental Funds	<u>25,440,413</u>
Total Transfers to Governmental Funds	<u>36,593,857</u>
Transfers to the Enterprise Fund from:	
General Fund	1,026,334
Total Transfers to Enterprise Funds	<u>1,026,334</u>
Total Interfund Transfers	<u>\$ 37,620,191</u>

Note 11. Closure and Post-closure Care Cost

State and federal laws and regulations require the Board to place a final cover on each of its landfill cells when it stops accepting waste and to perform certain maintenance and monitoring functions on each cell for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these costs as an operating expense in each period based on

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 11. Closure and Post-closure Care Cost (continued)

landfill capacity used as of each balance sheet date. The \$11,327,787 reported as landfill closure and post-closure care liability at September 30, 2012, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill cells placed in use. These amounts are based on what it would cost to perform closure and post-closure care in 2012 on those cells placed in use. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The landfill is no longer accepting Class I waste, however it is still accepting residuals from a Class III materials recovery facility and recovered screened materials. Since the landfill is permitted as a single permit, until the entire landfill is closed the Board cannot begin to perform closure and post-closure care.

The Board is required by state and federal laws to make annual contributions to an escrow account to finance a minimum of all closure costs. The Board is in compliance with those minimum requirements, and at September 30, 2012, held investments in the amount of \$7,126,955 for these purposes that are reported as restricted assets on the balance sheet. The Board expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined; these costs may need to be covered by charges to future landfill users or from future tax revenue.

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

Note 12. Component Unit - Housing Finance Authority of Leon County

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

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

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

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 13. Fund Balance

The Governmental Accounting Standards Board's Statement No. 54, effective for fiscal years beginning after June 15, 2010, requires that all fund balances be classified into one of the following four categories: nonspendable, restricted, committed, assigned, and unassigned. As described in Note 1, the financial statements of the Board are fund statements considered to be special purpose financial statements consistent with accounting practices prescribed by the Office of the Auditor General, State of Florida. Accordingly, the reclassification of fund balances is made at the county-wide financial statement level rather than in these special-purpose financial statements. Had the fund balance been reclassified in the special-purpose financial statements, the fund balances at September 30, 2012 would be:

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Funds</u>	<u>Fire Rescue Services Fund</u>	<u>Capital Improvement Fund</u>
Invested in capital assets, net of related debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unrestricted	0	0	0	0	0
Fund balances:					
Nonspendable	265,714	0	0	0	7,801
Restricted	0	0	1,358,617	0	1,285,822
Committed	3,081,165	144,875	63,310	431,994	11,300,210
Assigned	7,859,210	2,626,370	344,440	30,000	32,358,266
Unassigned	<u>25,105,494</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total fund balances	<u>\$ 36,311,583</u>	<u>\$ 2,771,245</u>	<u>\$ 1,766,367</u>	<u>\$ 461,994</u>	<u>\$ 44,952,099</u>

	<u>Local Option Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Housing Component Unit</u>	<u>Landfill Fund</u>	<u>Governmental Activities Internal Service Funds</u>
Invested in capital assets, net of related debt	\$ 0	\$ 0	\$ 0	\$ 12,003,333	\$ 7,299,013
Unrestricted	0	0	896,829	6,998,573	(4,995,472)
Fund balances:					
Nonspendable	0	3,798,858	0	0	0
Restricted	0	9,758,631	0	0	0
Committed	538,064	10,286,807	0	0	0
Assigned	23,949,433	26,244,583	0	0	0
Unassigned	<u>0</u>	<u>(1,353,520)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total fund balances	<u>\$ 24,487,497</u>	<u>\$ 48,735,359</u>	<u>\$ 896,829</u>	<u>\$ 19,001,906</u>	<u>\$ 2,303,541</u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 14. Commitments and Contingencies

A. Contract commitments:

Grants

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

Long-Term Construction Projects

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

B. Potential liabilities resulting from litigation:

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

C. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. The Board had \$2,357,559 reserved for encumbrances as of September 30, 2012.

Note 15. Excess of Expenditures Over Appropriations

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2012

Note 16. Subsequent Event

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

Internal Control and Compliance Section

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

September 30, 2012

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*

To the Board of County Commissioners
Leon County, Florida

We have audited the special-purpose financial statements of the Board of County Commissioners of Leon County, Florida (the Board) as of and for the year ended September 30, 2012, and have issued our report thereon dated February 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the Board's management in a separate letter dated February 18, 2013.

This report is intended solely for the information and use of the Board of County Commissioners of Leon County, Florida, others within the entity, and the Board's federal and/or state awarding agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Thomas Howell Ferguson P.C.

Law, Redd, Crona & Munroe P.A.

February 18, 2013

Management Letter
September 30, 2012

Management Letter

To the Honorable Board of County Commissioners
Leon County, Florida

We have audited the special-purpose financial statements of the Board of County Commissioners of Leon County, Florida (the Board), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated February 18, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Report on Internal Control Over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated February 18, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included on the aforementioned auditors' report

The *Rules of the Auditor General* (Section 10.554(1)(i)1.) require that we determine, whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.

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

The *Rules of the Auditor General* (Section 10.554(1)(i)3.) require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

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

The *Rules of the Auditor General* (Section 10.554(1)(i)6.), require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the special-purpose financial statements. The name or official title and legal authority for the primary government and each component unit of the reporting entity are disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Leon County Housing Finance Authority, a component unit of Leon County, was authorized pursuant to Chapter 159, Part IV, of the *Florida Statutes* and was created by Leon County Ordinance 80-39.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe, P.A.

February 18, 2013