

Special-Purpose Financial Statements

Board of County Commissioners
Leon County, Florida

*Year Ended September 30, 2016
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, 2016

Board of County Commissioners

John Dailey, Chairman.....	District 3
Nick Maddox, Vice Chairman.....	At-Large
William Proctor.....	District 1
Jimbo Jackson.....	District 2
Bryan Desloge.....	District 4
Kristin Dozier.....	District 5
Mary Ann Lindley.....	At-Large

COUNTY ADMINISTRATOR

Vincent S. Long

CLERK OF THE CIRCUIT COURT

AND

COMPTROLLER

Gwen Marshall

Board of County Commissioners
Leon County, Florida

Special-Purpose Financial Statements

Year Ended September 30, 2016

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Independent Auditors' Report

The Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements 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 (the Board), as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2016, the results of each of the major funds' changes in financial position, where applicable, the cash flows thereof, and the respective budgetary comparison statements of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the special-purpose financial statements, the accompanying special-purpose financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying special-purpose financial statements are intended to present the financial position and changes in financial position of the major funds, the proprietary fund and the agency funds of the Board, and only that portion that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Spill (the Schedule) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Spill is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements and other matters under the heading *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Special-Purpose Financial Statements Performed in Accordance with Government Auditing Standards*. 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* in considering the Board's internal control over financial reporting and compliance.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
April 10, 2017



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

Board of County Commissioners
Leon County, Florida
Balance Sheet - Governmental Funds
September 30, 2016

	General Fund	Fine & Forfeiture Fund	Grants Fund	Fire Rescue Services Fund
Assets				
Cash	\$ 5,106,865	\$ 0	\$ 0	\$ 0
Investments	28,473,860	916,459	4,223,528	1,910,939
Receivables (net of allowances for uncollectibles):				
Accounts	156,451	1,961	8,991	4,090
Special assessments	0	0	0	0
Due from other governments	1,590,115	0	2,069,249	0
Due from other funds	1,257,230	0	0	0
Due from other county units	712,091	659,894	15,613	638
Inventories	313,988	0	0	0
Other assets	4,250	0	0	0
Total assets	<u>\$ 37,614,850</u>	<u>\$ 1,578,314</u>	<u>\$ 6,317,381</u>	<u>\$ 1,915,667</u>
Liabilities, deferred inflows, and fund balances				
Liabilities:				
Accounts payable	\$ 4,307,369	\$ 5,000	\$ 291,527	\$ 0
Accrued liabilities	432,927	0	4,974	0
Due to other governments	691,717	0	0	685,144
Due to other funds	252,613	0	0	0
Due to other county units	46,988	0	55,668	0
Deposits	45,010	325,794	0	0
Revenue received in advance	0	0	3,902,320	0
Total liabilities	<u>5,776,624</u>	<u>330,794</u>	<u>4,254,489</u>	<u>685,144</u>
Deferred inflows				
Deferred inflow of resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total deferred inflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:				
Nonspendable	318,238	0	0	0
Restricted	0	0	2,062,892	0
Committed	4,813,626	187,128	0	1,230,523
Assigned	10,065,978	1,060,392	0	0
Unassigned	16,640,384	0	0	0
Total fund balances	<u>31,838,226</u>	<u>1,247,520</u>	<u>2,062,892</u>	<u>1,230,523</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 37,614,850</u>	<u>\$ 1,578,314</u>	<u>\$ 6,317,381</u>	<u>\$ 1,915,667</u>

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

Special Assessment Paving Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Component Unit - Housing Finance Authority of Leon County	Total Governmental Funds
\$ 395,111	\$ 4,760,050	\$ 3,013,486	\$ 650,082	\$ 13,925,594
0	25,506,654	42,387,863	0	103,419,303
23,569	93,395	5,040,703	0	5,329,160
1,208,165	0	(2,058)	10	1,206,117
0	0	1,628,921	0	5,288,285
0	0	0	0	1,257,230
2,643	0	738,882	0	2,129,761
0	0	0	0	313,988
0	0	10,200	0	14,450
<u>\$ 1,629,488</u>	<u>\$ 30,360,099</u>	<u>\$ 52,817,997</u>	<u>\$ 650,092</u>	<u>\$ 132,883,888</u>
\$ 29	\$ 818,186	\$ 2,186,002	\$ 82	\$ 7,608,195
0	0	475,901	0	913,802
0	0	72,391	0	1,449,252
0	0	6,953	0	259,566
0	0	0	0	102,656
0	149,925	124,203	0	644,932
0	0	840,311	0	4,742,631
<u>29</u>	<u>968,111</u>	<u>3,705,761</u>	<u>82</u>	<u>15,721,034</u>
<u>1,211,027</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,211,027</u>
<u>1,211,027</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,211,027</u>
0	0	10,200	0	328,438
0	29,391,988	34,748,225	650,010	66,853,115
418,432	0	14,079,285	0	20,728,994
0	0	274,526	0	11,400,896
0	0	0	0	16,640,384
<u>418,432</u>	<u>29,391,988</u>	<u>49,112,236</u>	<u>650,010</u>	<u>115,951,827</u>
<u>\$ 1,629,488</u>	<u>\$ 30,360,099</u>	<u>\$ 52,817,997</u>	<u>\$ 650,092</u>	<u>\$ 132,883,888</u>

Board of County Commissioners
Leon County, Florida

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

Year Ended September 30, 2016

	General Fund	Fine & Forfeiture Fund	Grants Fund	Fire Rescue Services Fund	Special Assessment Paving Fund
Revenues					
Taxes	\$ 48,285,480	\$ 70,594,257	\$ 0	\$ 0	\$ 0
Licenses and permits	9,940	0	0	0	0
Intergovernmental	20,948,198	19,152	5,020,907	0	0
Charges for services	1,768,091	936,027	96,777	7,308,453	0
Fines and forfeitures	0	124,196	0	0	0
Interest	447,220	211,328	21,650	34,250	1,137
Net increase in fair value of investments	82,208	1,698	11,397	3,891	0
Miscellaneous	456,302	0	303,244	0	368,719
Total revenues	<u>71,997,439</u>	<u>71,886,658</u>	<u>5,453,975</u>	<u>7,346,594</u>	<u>369,856</u>
Expenditures					
Current:					
General government	13,829,011	0	264	0	0
Public safety	2,375,277	0	471,213	8,432,270	0
Physical environment	2,252,679	0	416,355	0	0
Transportation	0	0	4,236,760	0	0
Economic environment	2,426,943	0	55,406	0	0
Human services	8,025,171	100,000	45,156	0	0
Culture and recreation	6,387,670	0	212,758	0	0
Judicial	6,909,859	1,964,643	126,718	0	0
Debt Service:					
Principal retirement	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0
Other debt service costs	0	0	0	0	0
Total expenditures	<u>42,206,610</u>	<u>2,064,643</u>	<u>5,564,630</u>	<u>8,432,270</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,790,829</u>	<u>69,822,015</u>	<u>(110,655)</u>	<u>(1,085,676)</u>	<u>369,856</u>
Other financing sources (uses):					
Transfers in	3,605,449	463,977	775,212	1,224,459	0
Transfers out	(44,971,029)	(70,879,073)	(121,155)	(36,984)	(215,480)
Total other financing (uses) sources	<u>(41,365,580)</u>	<u>(70,415,096)</u>	<u>654,057</u>	<u>1,187,475</u>	<u>(215,480)</u>
Net change in fund balances	(11,574,751)	(593,081)	543,402	101,799	154,376
Fund balances at beginning of year	43,412,977	1,840,601	1,519,490	1,128,724	264,056
Fund balances at end of year	<u>\$ 31,838,226</u>	<u>\$ 1,247,520</u>	<u>\$ 2,062,892</u>	<u>\$ 1,230,523</u>	<u>\$ 418,432</u>

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

Capital Improvement Fund	Nonmajor Governmental Funds	Component Unit - Housing Finance Authority of Leon County	Total Governmental Funds
\$ 0	\$ 34,737,783	\$ 0	\$ 153,617,520
0	3,037,530	0	3,047,470
0	5,625,186	15,618	31,629,061
0	13,061,760	46,745	23,217,853
0	285,672	0	409,868
319,566	777,098	8,223	1,820,472
99,129	107,001	0	305,324
0	2,291,717	33,077	3,453,059
<u>418,695</u>	<u>59,923,747</u>	<u>103,663</u>	<u>217,500,627</u>
2,287,736	3,307,579	0	19,424,590
350,794	23,023,042	0	34,652,596
1,582,511	9,979,546	0	14,231,091
940,820	20,505,594	0	25,683,174
0	3,466,145	125,108	6,073,602
0	1,647,832	0	9,818,159
1,919,473	6,829,188	0	15,349,089
776,400	365,727	0	10,143,347
0	7,535,538	0	7,535,538
0	1,028,177	0	1,028,177
0	1,272	0	1,272
<u>7,857,734</u>	<u>77,689,640</u>	<u>125,108</u>	<u>143,940,635</u>
<u>(7,439,039)</u>	<u>(17,765,893)</u>	<u>(21,445)</u>	<u>73,559,992</u>
16,891,000	24,010,498	0	46,970,595
0	(15,440,745)	0	(131,664,466)
<u>16,891,000</u>	<u>8,569,753</u>	<u>0</u>	<u>(84,693,871)</u>
9,451,961	(9,196,140)	(21,445)	(11,133,879)
<u>19,940,027</u>	<u>58,308,376</u>	<u>671,455</u>	<u>127,085,706</u>
<u>\$ 29,391,988</u>	<u>\$ 49,112,236</u>	<u>\$ 650,010</u>	<u>\$ 115,951,827</u>

Board of County Commissioners
Leon County, Florida
Statement of Net Position - Proprietary Funds
September 30, 2016

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash	\$ 462	\$ 273,179
Cash with fiscal agent	0	92,603
Investments	8,643,075	6,071,913
Accounts	1,090,060	162,215
Due from other governments	0	10,391
Due from other county units	542	10,685
Inventories	1,214	39,710
Total current assets	9,735,353	6,660,696
Noncurrent assets:		
Restricted cash and investments	7,788,125	0
Capital assets:		
Land nondepreciable	1,809,844	0
Depreciable (net)	9,371,099	0
Total noncurrent assets	18,969,068	0
Total assets	\$ 28,704,421	\$ 6,660,696
Liabilities		
Current liabilities:		
Accounts payable	\$ 676,410	\$ 482,513
Accrued liabilities	327,136	121,490
Due to other funds	0	79,812
Other current liabilities	0	3,884,555
Total current liabilities	1,003,546	4,568,370
Noncurrent liabilities:		
Liability for closure costs/maintenance	13,789,224	0
Total noncurrent liabilities	13,789,224	0
Total liabilities	14,792,770	4,568,370
Net position		
Net investment in capital assets	11,180,943	0
Unrestricted	2,730,708	2,092,326
Total net position	13,911,651	2,092,326
Total liabilities and net position	\$ 28,704,421	\$ 6,660,696

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 Position - Proprietary Funds
Year Ended September 30, 2016

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Operating revenues		
Charges for services	\$ 8,490,050	\$ 6,939,617
Total operating revenues	<u>8,490,050</u>	<u>6,939,617</u>
Operating expenses		
Personnel services	1,763,298	583,883
Contractual services	7,468,813	114,645
Supplies	265,231	959,588
Communications services	31,435	621,804
Insurance	49,688	3,232,533
Utility services	32,443	19,551
Depreciation	940,146	0
Other services and charges	5,024,986	1,139,751
Total operating expenses	<u>15,576,040</u>	<u>6,671,755</u>
Operating (loss) gain	<u>(7,085,990)</u>	<u>267,862</u>
Nonoperating revenues:		
Taxes	1,785,686	0
Interest	254,096	97,396
Net increase in fair value of investments	120,586	20,001
Miscellaneous	184,741	0
Total nonoperating revenues	<u>2,345,109</u>	<u>117,397</u>
Income (loss) before contributions and transfers	(4,740,881)	385,259
Transfers in	582,191	0
Transfers out	<u>(30,053)</u>	<u>0</u>
Change in net position	(4,188,743)	385,259
Net position at beginning of year	18,100,394	1,707,067
Net position at end of year	<u>\$ 13,911,651</u>	<u>\$ 2,092,326</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, 2016

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 11,008,859	\$ 168,183
Payments to suppliers	(12,280,522)	(4,077,968)
Payments to employees	(1,737,669)	(627,457)
Internal activity - payments to other funds	(49,688)	0
Internal activity - cash received from other funds	0	6,802,382
Claims paid	0	(1,475,372)
Net cash (used) provided by operating activities	<u>(3,059,020)</u>	<u>789,768</u>
Cash flows from noncapital financing activities		
Tax proceeds	1,785,686	0
Repayments on interfund loans	4	0
Transfers from other funds	582,191	0
Transfers to other funds	(30,053)	0
Net cash provided by noncapital financing activities	<u>2,337,828</u>	<u>0</u>
Cash flows from capital and related financing activities		
Sale of property	1,490,139	0
Acquisition and/or construction of capital assets	(646,545)	0
Net cash used in capital and related financing activities	<u>843,594</u>	<u>0</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	4,044,235	2,466,731
Purchases of investments	(4,534,942)	(3,243,387)
Interest and dividends received	247,019	92,711
Increase in fair value of investments	120,586	20,001
Net cash provided (used) in investing activities	<u>(123,102)</u>	<u>(663,944)</u>
Net (decrease) increase in cash	(700)	125,824
Cash at beginning of year	1,162	239,958
Cash at end of year	<u>\$ 462</u>	<u>\$ 365,782</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 (continued)
Year Ended September 30, 2016

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Reconciliation of operating loss income to net cash (used) provided by operating activities		
Operating (loss) gain:	\$ (7,085,990)	\$ 267,862
Adjustment to reconcile operating (loss) gain to net cash used in operating activities:		
Depreciation expense	940,146	0
Change in assets and liabilities:		
Accounts and intergovernmental receivables	(292,295)	30,948
Inventories	2,548	4,626
Accounts payable and other liabilities	539,838	534,586
Accrued expenses	25,629	(48,254)
Revenues received in advance	(589)	0
Estimated liability for closure costs/maintenance	2,811,693	0
Net cash (used) provided by operating activities	<u>\$ (3,059,020)</u>	<u>\$ 789,768</u>

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

Board of County Commissioners
Leon County, Florida

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

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 48,289,066	\$ 48,289,066	\$ 48,285,480	\$ (3,586)
Licenses and permits	9,500	9,500	9,940	440
Intergovernmental	20,328,622	20,328,622	20,948,198	619,576
Charges for services	1,856,099	1,856,099	1,768,091	(88,008)
Interest	415,625	415,625	447,220	31,595
Net increase in fair value of investments	0	0	82,208	82,208
Miscellaneous	286,853	286,853	456,302	169,449
Total revenues	<u>71,185,765</u>	<u>71,185,765</u>	<u>71,997,439</u>	<u>811,674</u>
Expenditures				
General government	18,999,113	22,154,097	13,829,011	8,325,086
Public safety	2,581,764	2,581,764	2,375,277	206,487
Physical environment	2,491,466	2,491,466	2,252,679	238,787
Economic environment	2,504,666	2,504,666	2,426,943	77,723
Human services	8,209,000	8,283,618	8,025,171	258,447
Culture and recreation	6,764,299	6,665,396	6,387,670	277,726
Judicial	441,369	2,356,870	6,909,859	(4,552,989)
Total expenditures	<u>41,991,677</u>	<u>47,037,877</u>	<u>42,206,610</u>	<u>4,831,267</u>
Excess of revenues over expenditures	29,194,088	24,147,888	29,790,829	5,642,941
Other financing sources (uses):				
Transfers in	8,646,512	10,546,512	3,605,449	(6,941,063)
Transfers out	(41,965,600)	(54,312,293)	(44,971,029)	9,341,264
Total other financing sources (uses)	<u>(33,319,088)</u>	<u>(43,765,781)</u>	<u>(41,365,580)</u>	<u>2,400,201</u>
Net change in fund balance	(4,125,000)	(19,617,893)	(11,574,751)	8,043,142
Fund balance at beginning of year	43,412,977	43,412,977	43,412,977	0
Fund balance at end of year	<u>\$ 39,287,977</u>	<u>\$ 23,795,084</u>	<u>\$ 31,838,226</u>	<u>\$ 8,043,142</u>

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

Board of County Commissioners
Leon County, Florida

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

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 69,698,407	\$ 69,698,407	\$ 70,594,257	\$ 895,850
Intergovernmental	15,799	15,799	19,152	3,353
Charges for services	927,010	927,010	936,027	9,017
Fines and forfeitures	114,950	114,950	124,196	9,246
Interest	137,750	137,750	211,328	73,578
Net increase in fair value of investments	0	0	1,698	1,698
Total revenues	<u>70,893,916</u>	<u>70,893,916</u>	<u>71,886,658</u>	<u>992,742</u>
Expenditures				
Human services	100,000	100,000	100,000	0
Judicial	1,884,843	2,014,843	1,964,643	50,200
Total expenditures	<u>1,984,843</u>	<u>2,114,843</u>	<u>2,064,643</u>	<u>50,200</u>
Excess of revenues over expenditures	<u>68,909,073</u>	<u>68,779,073</u>	<u>69,822,015</u>	<u>1,042,942</u>
Other financing sources (uses):				
Transfers in	0	0	463,977	463,977
Transfers out	(68,909,073)	(70,929,073)	(70,879,073)	50,000
Total other financing sources (uses)	<u>(68,909,073)</u>	<u>(70,929,073)</u>	<u>(70,415,096)</u>	<u>513,977</u>
Net change in fund balance	0	(2,150,000)	(593,081)	1,556,919
Fund balance at beginning of year	<u>1,840,601</u>	<u>1,840,601</u>	<u>1,840,601</u>	<u>0</u>
Fund balance at end of year	<u>\$ 1,840,601</u>	<u>\$ (309,399)</u>	<u>\$ 1,247,520</u>	<u>\$ 1,556,919</u>

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

Board of County Commissioners
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Grants Fund
Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 0	\$ 36,225	\$ 0	\$ (36,225)
Intergovernmental	346,800	18,156,701	5,020,907	(13,135,794)
Charges for services	87,305	284,744	96,777	(187,967)
Interest	0	6,919	21,650	14,731
Net increase in fair value of investments	0	0	11,397	11,397
Miscellaneous	0	1,031,573	303,244	(728,329)
Total revenues	<u>434,105</u>	<u>19,516,162</u>	<u>5,453,975</u>	<u>(14,062,187)</u>
Expenditures				
General government	0	750	264	486
Public safety	428,838	1,660,414	471,213	1,189,201
Physical environment	0	3,628,404	416,355	3,212,049
Transportation	0	11,646,028	4,236,760	7,409,268
Economic environment	0	1,631,693	55,406	1,576,287
Human services	30,000	75,736	45,156	30,580
Culture and recreation	15,000	2,200,758	212,758	1,988,000
Judicial	91,710	266,983	126,718	140,265
Total expenditures	<u>565,548</u>	<u>21,110,766</u>	<u>5,564,630</u>	<u>15,546,136</u>
(Deficiency) excess of revenue (under) over expenditures	<u>(131,443)</u>	<u>(1,594,604)</u>	<u>(110,655)</u>	<u>1,483,949</u>
Other financing sources (uses):				
Transfers in	0	775,212	775,212	0
Transfers out	(121,155)	(121,155)	(121,155)	0
Total other financing sources (uses)	<u>(121,155)</u>	<u>654,057</u>	<u>654,057</u>	<u>0</u>
Net change in fund balance	(252,598)	(940,547)	543,402	1,483,949
Fund balance at beginning of year	1,519,490	1,519,490	1,519,490	0
Fund balance at end of year	<u>\$ 1,266,892</u>	<u>\$ 578,943</u>	<u>\$ 2,062,892</u>	<u>\$ 1,483,949</u>

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

Board of County Commissioners
Leon County, Florida

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

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Charges for services	\$ 6,808,662	\$ 7,351,160	\$ 7,308,453	\$ (42,707)
Interest	0	0	34,250	34,250
Net increase in fair value of investments	0	0	3,891	3,891
Total revenues	<u>6,808,662</u>	<u>7,351,160</u>	<u>7,346,594</u>	<u>(4,566)</u>
Expenditures				
Public safety	7,999,426	8,541,924	8,432,270	109,654
Total expenditures	<u>7,999,426</u>	<u>8,541,924</u>	<u>8,432,270</u>	<u>109,654</u>
Excess of revenues over expenditures	<u>(1,190,764)</u>	<u>(1,190,764)</u>	<u>(1,085,676)</u>	<u>105,088</u>
Other financing uses:				
Transfers in	1,224,459	1,224,459	1,224,459	0
Transfers out	(33,695)	(33,695)	(36,984)	(3,289)
Total other financing uses	<u>1,190,764</u>	<u>1,190,764</u>	<u>1,187,475</u>	<u>(3,289)</u>
Net change in fund balance	0	0	101,799	101,799
Fund balance at beginning of year	1,128,724	1,128,724	1,128,724	0
Fund balance at end of year	<u>\$ 1,128,724</u>	<u>\$ 1,128,724</u>	<u>\$ 1,230,523</u>	<u>\$ 101,799</u>

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

Board of County Commissioners
Leon County, Florida

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

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 56,173	\$ 56,173	\$ 1,137	\$ (55,036)
Miscellaneous	229,295	229,295	368,719	139,424
Total revenues	<u>285,468</u>	<u>285,468</u>	<u>369,856</u>	<u>84,388</u>
Expenditures				
Public safety	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues over expenditures	<u>285,468</u>	<u>285,468</u>	<u>369,856</u>	<u>84,388</u>
Other financing uses:				
Transfers out	<u>(285,468)</u>	<u>(285,468)</u>	<u>(215,480)</u>	<u>69,988</u>
Total other uses	<u>(285,468)</u>	<u>(285,468)</u>	<u>(215,480)</u>	<u>69,988</u>
Net change in fund balance	0	0	154,376	154,376
Fund balance at beginning of year	264,056	264,056	264,056	0
Fund balance at end of year	<u>\$ 264,056</u>	<u>\$ 264,056</u>	<u>\$ 418,432</u>	<u>\$ 154,376</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, 2016

	Total Agency Funds
Assets	
Cash	\$ 564,158
Accounts receivable	1,611,505
Total assets	<u>\$ 2,175,663</u>
Liabilities	
Accounts payable	\$ 179,006
Accrued liabilities	1,078,805
Due to other funds	917,852
Total liabilities	<u>\$ 2,175,663</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, 2016

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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

Component Units (continued)

Financial statements of component units are included in the financial reporting entity either as a blended component unit or as a discretely presented component unit in accordance with governmental accounting standards. At September 30, 2016, 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.

Excluded from the Reporting Entity:

The Leon County Health Facilities Authority, Leon County Research and Development Authority, Leon County Education Facilities Authority, Leon County Energy Improvement District, and Community Redevelopment Agency have been established under *Florida Statutes*, Chapter 159, Part V, Chapter 154, Part III, Chapter 243, Chapter 189, Part II 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
Fallschase Special Taxing District
Northwest Florida Water Management District

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

Consolidated Dispatch Agency

In May 2012, the City of Tallahassee, Leon County, Florida, and the Leon County Sheriff's Office entered into an inter-local agreement authorized by Section 163.01, *Florida Statutes*. This agreement created a Consolidated Dispatch Agency (CDA) for the purpose of dispatching law enforcement, fire and emergency medical services personnel. The term of this agreement is for a period of 10 years, commencing April 1, 2013, and will renew automatically thereafter. The CDA will govern and manage the provision of public safety consolidated dispatch services on a county-wide basis.

The governing body of the CDA consists of the City of Tallahassee City Manager, the Leon County Administrator and the Leon County Sheriff, hereinafter called the Council. The City and Sheriff shall fund the CDA budget proportionately based upon the per capita population within the corporate limits of the City of Tallahassee for the city, and the per capita population within the unincorporated area of Leon County for the Sheriff, and a service cost allocation shall be included in the CDA's annual budget. Current audited financial statements may be obtained from the Consolidated Dispatch Agency, 300 S. Adams Street, Box A-19, Tallahassee, Florida 32301.

Capital Regional Transportation Planning Agency

In December 2004, the Capital Regional Transportation Planning Agency (CRTPA) was created through an inter-local agreement between the Florida Department of Transportation; the Counties of Leon, Gadsden, Jefferson and Wakulla; the Cities of Tallahassee, Chattahoochee, Gretna, Midway, Monticello, Quincy, St. Marks and Sopchoppy; the towns of Greensboro, Havana and the Leon County School Board as authorized by Section 163.01 *Florida Statutes*. It was established in order for the members to participate cooperatively in the development of transportation related plans and programs. The governing board consists of voting representatives from the Counties of Leon, Gadsden, Jefferson, and Wakulla; the Cities of Midway, Quincy, Tallahassee, Chattahoochee and Gretna; the Towns of Greensboro and Havana, the Leon County School Board, and three nonvoting representatives from the Florida Department of Transportation, the Federal Highway Administration, and StarMetro.

The CRTPA receives federal and state transportation funds for the performance of its transportation planning and programming activities. If operating expenses exceed the external funding obtained, the deficit is funded by the members of the CRTPA in proportion of their weighted votes. As a participating member of CRTPA, Leon County has a limited share of financial responsibility for any such deficits. Current audited financial statements may be obtained from the Capital Regional Transportation Planning Agency, 300 S. Adams Street, Box A-19, Tallahassee, Florida 32301.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

Leon County-City of Tallahassee Blueprint 2000 Intergovernmental Agency

In October 2000, Leon County entered into an interlocal agreement with the City of Tallahassee as authorized by Section 163.01(7) *Florida Statutes*. This agreement created the Blueprint 2000 Intergovernmental Agency to govern the project management for the project planning and construction of a list of projects known as the Blueprint 2000 projects. The Board of County Commissioners and the City Commission constitute the Blueprint 2000 Intergovernmental Agency. The revenues to fund the projects under this agreement are the collections of the local government infrastructure sales surtax, which began December 1, 2004. This tax was extended pursuant to the provisions in Section 212.055, *Florida Statutes*, until December 31, 2039.

Periodically, the Agency provides construction management services to the County. For these services the Agency and the County entered into Joint Participation Agreements whereby the County agrees to pay an administrative fee to the Agency.

Current audited financial statements may be obtained from Blueprint 2000, 315 S. Calhoun Street, Suite 450, Tallahassee, Florida 32301.

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 State of Florida, Office of the Auditor General.

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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

Description of Funds (continued)

Governmental Major Funds: (continued)

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.

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

Capital Improvement 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.

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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

Basis of Accounting (continued)

The accompanying special-purpose financial statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all Governmental Funds. Accordingly, revenues are recognized when measurable and available to pay liabilities of the current period and expenditures are generally recorded when the liability is incurred and/or will be paid from expendable available financial resources.

The Board considers receivables collected within 60 days after year-end to be available and susceptible to accrual as revenues of the current year. The following revenues are considered to be susceptible to accrual: taxes, charges for services, interest, state revenue sharing, federal forestry revenue, insurance agents' revenue, various other gas taxes, gas tax pour-over 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.

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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

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.

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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

Cash and Investments (continued)

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

During the 2015-2016 fiscal year, the Board invested in five 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); 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 Local Government Surplus Funds Trust Fund (LGSF), administered by the Florida State Board of Administration (SBA) as authorized by Section 218.415 (17), *Florida Statutes*; and Florida PRIME, administered by the Florida State Board of Administration (SBA). Florida PRIME is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for the SEC Rule 2a-7 fund.

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. As the receivables age, the allowance increases. The emergency medical services allowance used for September 30, 2016 is equal to 67% of current year billings.

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 office supplies. The office supplies are valued at the average unit cost and are accounted for under the consumption method whereby the cost is recorded as an expenditure at the time of issuance to the user department.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

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 Position as part of the county-wide basic financial statements. The Board does not record depreciation of these assets on its governmental fund financial statements, although depreciation is recorded for such assets in the county-wide financial statements. Donated assets are recorded at fair market value at the date of donation. Accounting policies for capitalization and depreciation of infrastructure assets including roads, bridges, curbs, gutters, and sidewalks are described in the county-wide financial statements. A summary of capital assets purchased by the Board's governmental funds is provided in Note 5.

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 Net 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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

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.

Net Position and Fund Balances

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

For financial reporting purposes, County policy defines the five fund balance classifications for governmental funds and the order that the resources are used.

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

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

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

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

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

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 1. Accounting Policies (continued)

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 8.314 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.

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*.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 2. Property Taxes (continued)

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, 2016 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, 2016.

Note 3. Cash and Investments

As of September 30, 2016, the value of the Board's deposits and investments, with their respective credit ratings, was as follows:

	Fair Value	Credit Rating	Duration
Deposits in Qualified Public Depositories	\$ 14,119,294	NA	NA
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	45,690,395	A+f	2.65
Florida Local Government Investment Trust Government Fund (FLGIT)	583,227	AAAf	1.44
Florida PRIME Investment Pool	510,251	AAA _m	0.14
Externally Managed Portfolio:			
Money Market	695,055	AAA	NA
U.S. Treasuries	24,371,759	AA+	2.25
Government Sponsored Agencies:			
Federal Home Loan Bank	8,580,215	AA+	2.07
Federal National Mortgage Association	7,977,545	AA+	2.15
Other Government Sponsored Agencies	5,329,007	AA+	1.94
MBS	1,430,225	AA+	1.30
CMBS	4,075,778	AA+	1.04
Corporate Bonds	9,704,684	A-	1.37
Corporate Bonds	5,897,882	AA-	1.93

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 3. Cash and Investments (continued)

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Corporate Bonds	2,830,495	BBB+	0.75
Municipal Bonds	1,299,142	AA	0.94
Asset-backed Securities	<u>7,209,448</u>	AAA	1.21
Total Cash and Investments	<u>\$ 140,304,402</u>		

The amounts above exclude cash on hand and amounts held by third parties in trust for the Board, but includes accrued interest of \$262,692.

Credit Risk

The Board 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 Board's risk against possible credit losses, a maximum of 3% of the total portfolio managed by the Board'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.
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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 3. Cash and Investments (continued)

Credit Risk (continued)

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 Board’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, 2016 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.myfloridacfo.com/Division?Treasury_

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Controllers, 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 treasury notes, corporates, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund’s portfolio. The FLGIT maintains a credit rating of AA Af by Standard & Poor’s. 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>.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 3. Cash and Investments (continued)

Credit Risk (continued)

The Florida PRIME is an external investment pool that is administered by the Florida State Board of Administration (SBA). Florida PRIME is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for the SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2016, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one and three-month LIBOR rates. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Investments in this pool are limited to a maximum of 50% of the portfolio. The current rating for the Florida PRIME is AAAM by Standard and Poors. A copy of Florida PRIME's most recent financial statements can be found at <http://www.sbafla.com/prime/Audits/tabid/582/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, 2016, were \$17,222,602.

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's actual portfolio will have a duration range of 0.5 years to 2.5 years. Unusual market or economic conditions may mandate moving the portfolio outside of this range. The Investment Oversight Committee will be convened and will approve any portfolio duration outside of the range specified above. The effective duration of investments is listed in the preceding table.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 3. Cash and Investments (continued)

Interest Rate Risk (continued)

The externally managed portfolio totaled \$79,401,235 at September 30, 2016, and was invested for a weighted average term of approximately 1,191 days, as compared to a weighted average term of 1,210 days in fiscal year 2015. 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 3 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. Fair Value Measurements

In February 2015, GASB issued GASB Statement No. 72. GASB 72 applicability related to the application of fair value is limited to assets and liabilities that are currently measured at fair value and certain investments that are not currently measured at fair value.

Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the County participant account balance is considered the fair value of the investment. Florida PRIME investment is exempt from the GASB 72 fair value hierarchy disclosures.

FLGIT reports based on the fair market values of the underlying securities. The County participant share investment in FLGIT is measured at net asset value per share. Investments measured at net asset value are not subject to fair value hierarchy level classification under GASB 72.

The fair value factor for SPIA at September 30, 2016 was 1.0121. SPIA funds are combined with State of Florida funds and are invested in a combination of short-term liquid instruments and intermediate term fixed income securities. SPIA is measured at net asset value per share. Investments measured at net asset value are not subject to fair value hierarchy level classification under GASB 72.

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 4. Fair Value Measurements (continued)

Fair value measurement - The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following table summarizes the assets and liabilities of the County for which fair values are determined on a recurring basis as of September 30, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Asset Backed Security (Mortgage Backed) - Non US				
Agency Sponsored	\$ 0	\$ 7,209,448	\$ 0	\$ 7,209,448
Corporate Bonds and Notes	0	18,433,061	0	18,433,061
US Agencies	0	21,886,767	0	21,886,767
US Government Obligations	24,371,759	0	0	24,371,759
Asset Backed Security (Mortgage Backed) - US				
Agency Sponsored	0	4,075,778	0	4,075,778
State and Local Obligations	0	1,299,142	0	1,299,142
Collateralized Mortgage Obligations	0	1,430,225	0	1,430,225
Investments at fair value	<u>\$ 24,371,759</u>	<u>\$54,334,421</u>	<u>\$ 0</u>	<u>\$78,706,180</u>

Note 5. Fixed Assets

A summary of changes in fixed assets and depreciation for the year ended September 30, 2016, follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance
Governmental activities:				
Land	\$ 20,891,310	\$ 0	\$ 0	\$ 20,891,310
Improvements other than buildings	22,752,771	8,658,244	0	31,411,015
Buildings and improvements	217,147,119	0	0	217,147,119
Equipment	58,831,352	2,962,983	(1,703,765)	60,090,570
Construction in progress	15,619,697	1,923,077	(10,581,830)	6,960,944
Totals at historical cost	<u>\$ 335,242,249</u>	<u>\$ 13,544,304</u>	<u>\$(12,285,595)</u>	<u>\$ 336,500,958</u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 5. Fixed Assets (continued)

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	21,229,840	0	(1,031,546)	20,198,294
Equipment	<u>5,470,517</u>	<u>646,545</u>	<u>(730,345)</u>	<u>5,386,717</u>
Totals at historical cost	<u>28,510,201</u>	<u>646,545</u>	<u>(1,761,891)</u>	<u>27,394,855</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,688,140)	(609,538)	0	(13,297,678)
Equipment	<u>(3,042,119)</u>	<u>(330,608)</u>	<u>456,493</u>	<u>(2,916,234)</u>
Total accumulated depreciation	<u>(15,730,259)</u>	<u>(940,146)</u>	<u>456,493</u>	<u>(16,213,912)</u>
	<u>\$ 12,779,942</u>	<u>\$ (293,601)</u>	<u>\$ (1,305,398)</u>	<u>\$ 11,180,943</u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 6. Long-Term Debt

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

	Balance October 1, 2015	Additions	(Reductions)	Balance September 30, 2016	Due Within One Year
Long-Term Debt					
Special revenue debt:					
Capital Improvement Revenue Bonds, Series 2012A	\$ 8,267,000	\$ 0	\$ 0	\$ 8,267,000	\$ 0
Taxable Capital Improvement Revenue Bonds, Series 2012B	12,517,000	0	(166,000)	12,351,000	169,000
Capital Improvement Revenue Refunding Bonds, Series 2014	16,077,000	0	(126,000)	15,951,000	130,000
Capital Improvement Revenue Refunding Bonds, Series 2015	<u>13,692,000</u>	<u>0</u>	<u>(6,806,000)</u>	<u>6,886,000</u>	<u>6,886,000</u>
Total special revenue debt	<u>50,553,000</u>	<u>0</u>	<u>(7,098,000)</u>	<u>43,455,000</u>	<u>7,185,000</u>
Note payable	1,274,189	0	(437,541)	836,648	484,514
Liability for compensated absences	4,762,320	2,835,043	(2,692,812)	4,904,551	1,468,422
Other postemployment benefits	3,192,623	525,927	(105,749)	3,612,801	0
Arbitrage rebate liability	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0</u>
	<u>\$ 59,807,132</u>	<u>\$ 3,360,970</u>	<u>\$(10,334,102)</u>	<u>\$ 52,834,000</u>	<u>\$ 9,137,936</u>

Total interest costs incurred for general long-term debt by the Board, including bond issuance costs, for the year ended September 30, 2016, was \$1,028,177.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 6. Long-Term Debt (continued)

B. A summary of each special revenue debt obligation outstanding at September 30, 2016 is as follows:

	Outstanding at September 30, 2016
<p>\$8,267,000, Capital Improvement Revenue Bonds, Series 2012A, (i) to refund the County's Capital Improvement Revenue Bonds, Series 2003A of which \$7,965,000 was outstanding and maturing in the years 2018 through 2020, and (ii) to pay a portion of the costs of the acquisition of the Bank of America Building, and (iii) the construction of improvements to the Bank of America Building, and (iv) to finance improvements to the County's courthouse and parking garage. The economic gain resulting from the refunding was \$1,279,488. The bonds dated December 20, 2012, bear interest of 1.65% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2013. The bond principal matures serially on October 1 of each year for two years beginning October 1, 2019.</p>	<hr style="width: 100%; border: 1px solid black;"/> <p>\$ 8,267,000</p>
<p>\$12,956,000, Taxable Capital Improvement Revenue Bonds, Series 2012B, to, (i) refund the Capital Improvement Revenue Bonds, Series 2003B of which \$12,465,000 was currently outstanding and maturing in the years 2018 through 2019, and (ii) pay a portion of the costs of the acquisition of the Bank of America Building, and (iii) pay capitalized interest and issuance costs on the Series 2012B bonds, and (iii) pay bond issuance costs. The economic gain resulting from the refunding was \$1,405,034. The bonds dated December 20, 2012 and bear interest of 2.22% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2013. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2019.</p>	<p>12,351,000</p>
<p>\$16,200,000 Capital Improvement Revenue Refunding Bonds, Series 2014, (i) refund a portion of the Capital Improvement Revenue Bonds, Series 2005 of which \$41,415,000 was currently outstanding and maturing in the years 2021 through 2025, and (ii) pay issuance costs on the Series 2014 bonds. The economic gain resulting from the refunding was \$1,695,208. The bonds dated July 23, 2014 and bear interest of 2.69% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2014. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2025.</p>	<p>15,951,000</p>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 6. Long-Term Debt (continued)

**Outstanding at
September 30,
2016**

\$13,692,000 Capital Improvement Revenue Refunding Bonds, Series 2015, (i) refund the remaining portion of the Capital Improvement Revenue Bonds, Series 2005 of which \$20,040,000 was currently outstanding and maturing in the years 2021 through 2025, and (ii) pay issuance costs on the Series 2015 bonds. The economic gain resulting from the refunding was \$585,711. The bonds dated July 31, 2015 and bear interest of 0.83% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2016. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2017.

6,886,000

The Capital Improvement Revenue Bonds, Series 2012A, the Capital Improvement Revenue Refunding Bonds, Series 2014 and 2015, and Taxable Capital Improvement Revenue Bonds, Series 2012B are parity bonds payable from and secured by a lien upon certain non-ad valorem revenue. The pledged revenues include the Local Government Half-Cent Sales Tax, Guaranteed Entitlement, Second Guaranteed Entitlement, and additional State Revenue Sharing Funds (less the Guaranteed Entitlement and the Second Guaranteed Entitlement).

Total Special Revenue Bond Obligations

\$ 43,455,000

Note Payable:

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.

\$ 836,648

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 6. Long-Term Debt (continued)

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

	Year ending September 30,				
	2017	2018	2019	2020	2021
Capital Improvement Revenue Refunding Bonds, Series 2015	\$ 6,943,154	\$ 0	\$ 0	\$ 0	\$ 0
Capital Improvement Revenue Bonds, Series 2012A	136,406	136,406	1,441,406	7,076,872	0
Taxable Capital Improvement Revenue Bonds, Series 2012B	443,192	6,938,440	5,636,411	0	0
Capital Improvement Revenue Refunding Bonds, Series 2014	559,082	558,585	559,007	558,322	3,333,556
Note payable	484,514	484,514	0	0	0
Total Debt Service	<u>\$ 8,566,348</u>	<u>\$ 8,117,945</u>	<u>\$ 7,636,824</u>	<u>\$ 7,635,194</u>	<u>\$ 3,333,556</u>

	2022-2025	Total Payments	Less Interest	Principal
Capital Improvement Revenue Refunding Bonds, Series 2015	\$ 0	\$ 6,943,154	\$ 57,154	\$ 6,886,000
Capital Improvement Revenue Bonds, Series 2012A	0	8,791,090	524,090	8,267,000
Taxable Capital Improvement Revenue Bonds, Series 2012B	0	13,018,043	667,043	12,351,000
Capital Improvement Revenue Refunding Bonds, Series 2014	13,343,223	18,911,775	2,960,775	15,951,000
Note payable	0	969,028	132,380	836,648
Total Debt Service	<u>\$ 13,343,223</u>	<u>\$ 48,633,090</u>	<u>\$ 4,341,442</u>	<u>\$ 44,291,648</u>

D. Refunded Obligations

The Board has refunded certain obligations by placing amounts into an escrow account which will be invested so that the accumulated investment and interest earnings will be sufficient to pay the remaining principal and interest on the refunding obligations as they become due. The refunded obligations are not shown as liabilities of the Board; however, the escrow agreement states that in the unlikely event that the accumulated funds in the escrow accounts are insufficient to meet the required debt service payments, the Board would be required to fund any deficiency.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 7. Employees' Retirement Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for all fiscal years beginning after June 15, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. 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 by the Auditor General, State of Florida. Accordingly, the net pension liability is included at county-wide financial statement level rather than in these Special-Purpose Financial Statements

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, 2016, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 7. Employees' Retirement Plan (continued)

The total employer retirement contributions for the fiscal years ended September 30, 2016, 2015, and 2014 were \$4,178,390, \$3,895,120, and \$3,527,043, 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 8. Other Postemployment Benefits

Plan Description

The Board participates in an agent multiple-employer plan administered by Leon County, Florida (the County) under which qualified retired employees are permitted to participate in the health and life insurance benefits program (the Program). The health insurance benefits portion of the Program is considered by the County's insurance provider to be community-rated and, therefore, no Other Postemployment Benefit (OPEB) obligation is calculated for healthcare. 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 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 Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

Board of County Commissioners
Leon County, Florida

Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 8. Other Postemployment Benefits (continued)

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)	\$ 199,114
Amortization of unfunded actuarial accrued liability	306,585
Interest on normal cost and amortization	<u>20,228</u>
Annual required contribution	525,927
Interest on net OPEB obligation	127,705
Adjustment to annual required contribution	<u>(177,528)</u>
Annual OPEB cost	476,104
Contributions made	<u>(55,926)</u>
Increase in net OPEB obligation	420,178
Net OPEB obligation at beginning of year	<u>3,192,623</u>
Net OPEB obligation at end of year	<u><u>\$ 3,612,801</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 2016 and the preceding two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
September 30, 2016	\$ 476,104	\$ 55,926	12%	\$ 3,612,801
September 30, 2015	\$ 482,865	\$ 49,597	10%	\$ 3,192,623
September 30, 2014	\$ 510,666	\$ 58,372	11%	\$ 2,759,355

Funded Status and Funding Progress

As of September 30, 2016, the Board's share of the actuarial accrued liability for benefits recognized in the County's financial statements was \$5,513,540, all of which was unfunded. The Board's covered payroll (annual payroll of active employees covered by the plan) was \$36,310,827. The ratio of the Board's actuarial accrued liability to the Board's covered payroll was 15% at September 30, 2016.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 8. Other Postemployment Benefits (continued)

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, 2014 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, 2016, was 30 years.

Note 9. 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, 2016.

General Liability

Effective December 15, 2012 the Board purchased commercial insurance for general liabilities from OneBeacon. The Board maintains a \$10,000 deductible with the insurance carrier.

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 9. Risk Management (continued)

General Liability (continued)

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, 2016	\$ 9,695	\$ 275,395	\$ 0	\$ 285,090
September 30, 2015	\$ 10,281	\$ (586)	\$ 0	\$ 9,695

The claims liability of \$285,090 includes an actuarial valuation for incurred but not reported claims of \$20,000.

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 \$500,000 for each claim. At September 30, 2016, the Board had \$92,603 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 five 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 position of the Self Insurance Fund is reserved for anticipated future catastrophic losses pursuant to County policy and GASB Statement No. 10.

The actuarially-determined claims liability for workers' compensation of \$3,773,824, which includes incurred but not reported claims of \$2,465,006, reported in the Fund at September 30, 2016 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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 9. Risk Management (continued)

Workers' Compensation (continued)

Changes in the Fund's claims 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, 2016	\$ 3,665,220	\$ 1,158,604	\$ (1,050,000)	\$ 3,773,824
September 30, 2015	\$ 2,781,151	\$ 1,847,069	\$ (963,000)	\$ 3,665,220

Automobile Liability

The Board purchases commercial coverage for automobile liability insurance through the same provider of its general liability insurance. All vehicles are covered for physical damage with a \$1,000 deductible and for liability with a \$10,000 deductible.

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:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2016	\$ 4,847	\$ 20,794	\$ 0	\$ 25,641
September 30, 2015	\$ 5,140	\$ (293)	\$ 0	\$ 4,847

The claims liability of \$25,641 includes an actuarial valuation for incurred but not reported claims of \$15,000.

Note 10. 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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 10. Leases (continued)

Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2016, are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2017	\$ 815,353
2018	478,668
2019	468,908
2020	461,423
2021	416,648
Thereafter	<u>206,943</u>
	<u><u>\$ 2,847,943</u></u>

In October 2009, the Board purchased the Lake Jackson Oaks Huntington Property. 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, 2016, are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2017	\$ 70,115
2018	<u>9,722</u>
	<u><u>\$ 79,837</u></u>

Note 11. 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, 2016, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,257,230	\$ 252,613
Nonmajor Governmental Funds	0	6,953
Internal Service Funds	0	79,812
Agency Fund	0	917,852
	<u><u>\$ 1,257,230</u></u>	<u><u>\$ 1,257,230</u></u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 11. Other Required Individual Fund Disclosures (continued)

Each fund has a discrete purpose. However, often, there is a need for one fund to support a portion of another fund's activities. To accomplish this, monies are moved between funds through a process called interfund transfers. Interfund Transfers for the year ended September 30, 2016, consisted of the following:

Transfers to the General Fund from:	
Fine & Forfeiture Fund	\$ 1,900,000
Special Assessment Paving Fund	<u>209,976</u>
Total Transfers to the General Fund	<u>2,109,976</u>
Transfers to the Fire Rescue Service Fund from:	
Nonmajor Governmental Funds	<u>1,224,459</u>
Total Transfers to the Fire Rescue Service Fund	<u>1,224,459</u>
Transfers to the Grants Fund from:	
General Fund	746,693
Nonmajor Governmental Funds	<u>28,519</u>
Total Transfers to the Grants Fund	<u>775,212</u>
Transfers to the Capital Improvement Fund from:	
General Fund	13,135,000
Nonmajor Governmental Funds	<u>3,756,000</u>
Total Transfers to the Capital Improvement Fund	<u>16,891,000</u>
Transfers to the Nonmajor Governmental Funds:	
General Fund	14,711,173
Fine & Forfeiture Fund	120,000
Other Nonmajor Funds	<u>8,943,856</u>
Total Transfers to the Nonmajor Governmental Funds	<u>23,775,029</u>
Total Transfers to Governmental Funds	<u>44,775,676</u>
Transfers to the Enterprise Fund from:	
General Fund	<u>582,191</u>
Total Transfers to Enterprise Funds	<u>582,191</u>
Total Interfund Transfers	<u>\$ 45,357,867</u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 12. Closure and Post-closure Care Cost

State and federal laws and regulations require the Board to place a final cover on each of its landfill cells when it stops accepting waste and to perform certain maintenance and monitoring functions on each cell for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$13,789,224 reported as landfill closure and post-closure care liability at September 30, 2016, 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 2016 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, 2016, held investments in the amount of \$7,788,125 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 fund reported a reserve balance of \$2,730,708 at September 30, 2016. 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 13. Commitments and Contingencies

A. Contract commitments:

Grants

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 13. Commitments and Contingencies (continued)

Long-Term Construction Projects

The Board is committed to various material long-term construction projects at September 30, 2016. These commitments have been included in the 2015-2016 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 \$2.9 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.

On October 1, 2012, the CDA was formed as a separate legal entity by virtue of an Interlocal Agreement between Leon County, Florida, the City of Tallahassee, and the Leon County Sheriff's Office. Subsequent to the CDA's formation and during the course of the CDA providing dispatch services, there have been occasions which have given rise to certain claims and litigation against the CDA itself. At no time has Leon County or the City of Tallahassee been named as a Party Defendant to any of the litigation. To the extent that any Plaintiff or Claimant in this litigation is able to prevail in their claims against the CDA, obtain a Final Judgment against the CDA, it could be covered by the CDA's general liability insurance and would be subject to the statutory mandates of sovereign immunity contained in Florida Statutes, Section 768.28. Thus, should a money judgment be obtained against the CDA, and to the extent it exceeds or is not covered by the CDA's insurance, and to the extent it exceeds the sovereign immunity caps under Section 768.28, and to the extent that the successful Plaintiff seeks a further waiver of the sovereign immunity cap by virtue of filing a Claims Bill in the Florida Legislature, and to the extent that in some year in the future the Florida Legislature actually approves such a Claims Bill, and to the extent that such a Claims Bill requires payment from the CDA which exceeds its existing budgeted funds, then the CDA may seek financial contribution from Leon County and the City of Tallahassee, which the City and the County are not legally obligated to appropriate. Then, to the extent that Leon County and/or the City of Tallahassee chooses to budget and appropriate funds to the CDA to cover the costs set forth in any Claims Bill which is directed to the CDA, then, and only then, would there be a potential financial impact to Leon County and/or the City of Tallahassee.

During the past fiscal/calendar year, two "claims" were settled by the CDA. In one of those "claims", the City and the County agreed to voluntarily contribute to the settlement by paying "claims" against the City and the County.

The first matter was a "claim" by the Estate of a county citizen and an FSU Law School Professor that was shot and killed at his home. Two persons have been arrested and prosecutions are now pending. The Estate filed a "claim" against the CDA alleging improper dispatch of the EMS. The "claim" was settled by the CDA's insurance carrier for \$40,000, without any contribution by the County (or City).

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2016

Note 13. Commitments and Contingencies (continued)

The other matter involved the unfortunate death of a LCSO deputy during a call for assistance. The deputy's Estate filed a lawsuit against the CDA seeking damages for negligence. The Estate also filed "claims" against the City and the County. In December the insurance carrier for the CDA agreed to pay \$950,000 toward a full settlement, and the City and County each authorized payments of \$200,000 each. The settlement is conditioned upon approval by the Circuit Court which is pending.

C. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. The Board had no reserved encumbrances as of September 30, 2016.

Note 14. Subsequent Event

Subsequent to emergency response efforts pertaining to Hurricane Hermine, which struck Tallahassee on September 2, 2016, Leon County staff presented the Board an after action report to the Leon County Commission on December 13, 2016. One of the recommendations made in the report was to return emergency management functions from the Sheriff's Department back to the Board of County Commissioners, and have these functions report to the County Administrator. The Board ratified this action at their January 24, 2017 meeting.

Effective April 1, 2017, Emergency Management will transfer from a function of the Leon County Sheriff to a function of the Board of County Commissioners. In essence, eight staff members associated with E-911 and Emergency Management will now report to County Administration. E-911 functions will still be funded by dedicated E-911 revenue and grants associated with Emergency Management, which will be transferred from the Sheriff to the Board of County Commissioners. The County has evaluated subsequent events through April 10, 2017, the date the financial statements were available to be issued.

Other Schedules

**Board of County Commissioners
Leon County, Florida**

**Schedule of Receipts and Expenditures of
Funds Related to the Deepwater Horizon Oil Spill**

Year Ended September 30, 2016

Source	Amount Received during the 2015-16 Fiscal Year	Amount Expended during the 2015-16 Fiscal Year
British Petroleum:		
Agreement No. 134036	\$ -	\$40,000

Note: This schedule does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance. Leon County, Florida did not receive or expend any Federal awards or State financial assistance related to the Deepwater Horizon Oil Spill.

See independent auditors' report.

Other Reports

Independent Auditors' 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, 2016

Independent Auditors' 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*

The Honorable Board of County Commissioners
Leon County, Florida

We have audited, in accordance with the 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, the financial statements 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 (the Board), which comprise the statement of financial position as of September 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated April 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose final statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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 special-purpose financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's special-purpose financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Finding 2016-006.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We have issued a management letter to the Board of County Commissioners of Leon County, Florida dated April 10, 2017, presenting certain required disclosures and comments pursuant to the *Rules of the Auditor General*, Chapter 10.550.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
April 10, 2017



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

Independent Accountants' Report on Compliance with Section 218.415,
Florida Statutes, Local Government Investment Policies
September 30, 2016

Independent Accountants' Report on Compliance with
Section 218.415, *Florida Statutes*, Local Government Investment Policies

The Honorable Board of County Commissioners
Leon County, Florida

We have examined the Board of County Commissioners of Leon County, Florida's (the Board) compliance with local government investment policies provided in Chapter 218.415, *Florida Statutes*, during the year ended September 30, 2016. Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with specified requirements.

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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



Thomas Howell Ferguson P.A.
Tallahassee, Florida
April 10, 2017

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

Management Letter
September 30, 2016

Management Letter

The Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

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, 2016, and have issued our report thereon dated April 10, 2017.

Auditors' Responsibility

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 Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedules

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Special-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 10, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. 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.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. The following recommendations were made.

2016-001 Bank reconciliations

Bank reconciliations during the fiscal year audited were not performed timely, and certain cash receipts were not deposited timely. The reconciliations should be performed and any issues identified in the process resolved in a timely manner. Performance of bank reconciliations, including timely disposition of differences, is a key control over the cash receipt and disbursement functions. By not timely identifying and resolving these differences, recorded balances in the general ledger may be incorrect and certain internal controls over the cash receipts and disbursements processes may be ineffective. Reconciling the bank account in a timely manner will allow reconciling items to be addressed more quickly, which will increase the likelihood of early detection and resolution of issues, should they arise. We recommend the Board fill vacant positions to help ensure that bank reconciliations are performed timely.

Management's response:

Due to an unprecedented amount of turn over within Finance during the last year, in addition to the existence of four vacancies in key positions including the bank reconciler, reconciliations were delayed. The four vacancies are currently in the process of being filled and the four Finance managers appointed within the last six month are gaining organizational efficiency and knowledge of their roles daily. Timeliness issue will not be a concern with the completion of these actions.

2016-002 – IT Controls

Our inspection of user access rights identified twelve Banner (the BOCC's general ledger system) users had combinations of Banner classes and forms allowing the ability to update employee positions, to update employee data and to run employee payroll. MIS Division personnel removed access permissions of three of the twelve users to human resource and payroll supervisor classes and determined that the remaining users' access was appropriate. However, the existence of unnecessary user access rights demonstrates the need for improved monitoring of Banner access rights. We also noted that Banner user accounts still existed for two terminated employees. Although the two former employees had been removed from network access, the risk that their Banner accounts could be accessed and misused by other employees with access to the Board network still exists.

Mitigating controls such as user controls, reconciliation procedures, and monitoring of user access by Finance and Human Resource offices exist to minimize the risk of undetected and unauthorized update activity. Access management duties are also separated in that the MIS Division adds and disables users and the Treasury Manager assigns the classes and forms.

We are aware that the BOCC plans to make significant upgrades to the Banner system that will include improvements to Banner access controls. Plans include rebuilding Banner access based on newly developed access roles and developing additional Banner access monitoring reports. We recommend that the Banner upgrade of improvements to granting, removing and monitoring access rights be a high priority in the upcoming fiscal year.

Management's response:

The Banner upgrade including the rebuild of access rights is a top priority of management. The Office of Information and Technology is currently working with Banner leadership in order to confirm the implementation calendar. The Banner upgrade is expected to be underway by this summer.

2016-003 – Duplicate invoice

The existence of a duplicate vendor payment was identified through our tests of vendor payments and discussions with management. The duplicate payment was not detected due to override of a system control that prevents duplicate invoice numbers from being entered. Due to this condition, management inspected all invoices processed by the employee that overrode the control during a 5 month period and also evaluated all accounts payable transactions for evidence of other duplicate invoices paid for that period. Those procedures performed by management identified no additional duplicate payments. To correct the this deficiency in controls over vendor payments management retrained both Disbursement and General Accounting staff on procedures for auditing invoices, re-implemented the policy of printing, reviewing, and signing

off on the Open/Pending Invoices Report and requested an automated work flow queue to be included with the implementation of the new financial software Banner 9.0. Management is also developing a consistent naming convention for payment requests that do not include a vendor provided invoice number. We recommend the Board and the County's internal audit department continue to perform monitoring over this process and that training be provided to accounts payable personnel regarding the newly implemented procedures. We recommend the Board implement a timely review process to detect any overrides of the newly implemented system controls.

Management's response:

The implementation of the Banner upgrade will greatly decrease the possibility of a duplicate payment being processed, even in instances such as this \$37.09 payment which is routinely processed on separate invoices more than once in any given month. The current paper driven disbursements process does not afford the level of control and automation that the soon to be implemented electronic workflow will provide. Again, implementation of the Banner upgrade is expected to be underway by this summer.

2016-004 – Purchase Card Policies and Procedures

The use of Purchase Cards (P-cards) has become a convenient and efficient approach for making budgeted purchases. As a result, the volume of P-card transactions continues to increase each year. Our tests of controls and application of P-card policies identified several instances where controls could be strengthened. Such instances relate primarily to travel expenses paid with a P-Card, account coding for P-Card purchases, and inclusion of all necessary documentation supporting the P-Card transaction. We recommend that P-Card policies be reevaluated to ensure supporting documentation demonstrates proper calculation, coding and approval of travel related expenses. We also recommend that annual training be provided to employees regarding use and approval of the P-Card transactions. Use of the P-Card privileges should be suspended if approved policies are not followed.

Management's response:

Management is currently reviewing the P-Card policy as well as considering the implementation of an automated P-Card module. In addition, enhancements to the current records management system have been implemented allowing immediate identification of any P-Card transaction that is not supported by appropriate documentation.

2016-005 – Adjustment for the Magnolia Drive Multi-Use Trail

While performing single audit procedures on the Magnolia Drive Multi-Use Trail, we noted that current year expenditures, revenue, and accounts receivable were understated. Funding for this program is provided by the Florida Department of Transportation, the City of Tallahassee, and Blueprint 2000. The expenditures shown on the Schedule of Federal Awards and State Financial Assistance were determined from a formula based on the total funding provided from the Florida Department of Transportation divided by the total funding to be provided from all three funding sources times the total expenditures incurred for the project as of September 30, 2016. The methodology utilized for accounting for current year expenditures and amounts recorded as revenue and accounts receivable did not accurately reflect the appropriate amounts which were attributable to federal funding received from the Florida Department of Transportation. As a result, an adjustment was made to increase revenue by \$304,467; reverse deferred revenue of \$87,330; and record accounts receivable in the amount of \$217,137. This entry also resulted in an increase in expenditures from \$194,041 to \$498,508 on the Schedule of Federal Awards and State Financial Assistance. We recommend that in complex funding situations such as this, the methodology utilized for reporting expenditures on the Schedule of Federal Awards and State Financial Assistance should be carefully assessed to ensure that expenditures related to federal funding are appropriately reported.

Management's response:

We agree with the recommendation. All projects that are comprised of multiple funding sources should be closely monitored in order to ensure proper allocation of expenditures to the appropriate funding sources. Management will work with project managers to incorporate stronger expenditure tracking processes and procedures.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

The Board's responses to the Management Letter findings identified in our audit are included in this letter. We did not audit the Board's responses and accordingly we express no opinion on the responses.

Purpose of this Letter

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, the Board of County Commissioners of Leon County, Florida and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



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April 10, 2017



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