

Leon County, Florida



Annual Financial Report *For the Fiscal Year Ended September 30, 2017*

Prepared by the Clerk of the Circuit Court and Comptroller
Department of Finance

LEON COUNTY, FLORIDA

PRINCIPAL OFFICERS

BOARD OF COUNTY COMMISSIONERS

Nick Maddox – **Chairman** - At-Large
Jimbo Jackson – **Vice Chairman** - District 2
William G. (Bill) Proctor, Jr. - District 1
John E. Dailey - District 3
Bryan Desloge - District 4
Kristin Dozier - District 5
Mary Ann Lindley – At-Large

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Vincent S. Long

COUNTY ATTORNEY

Herbert W. A. Thiele

TAX COLLECTOR

Doris Malloy

SHERIFF

Walt McNeil

PROPERTY APPRIASER

Akin Akinyemi

SUPERVISOR OF ELECTIONS

Mark Earley

**CLERK OF THE CIRCUIT COURT AND COMPTROLLER
AND**

CLERK TO THE BOARD OF COUNTY COMMISSIONERS

Gwen Marshall

DIRECTOR OF FINANCE

Jordan Steffens, CPA, CPM

Leon County, Florida

THIS REPORT CONTAINS THE FOLLOWING SECTIONS

LEON COUNTY, FLORIDA (COUNTYWIDE) GENERAL PURPOSE FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT AND REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL, AND FEDERAL FINANCIAL ASSISTANCE AND AUDITORS' REQUIRED DISCLOSURES

BOARD OF COUNTY COMMISSIONERS' FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

CLERK OF THE CIRCUIT COURT'S FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

PROPERTY APPRAISER'S FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

SHERIFF'S FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

SUPERVISOR OF ELECTIONS' FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

TAX COLLECTOR'S FINANCIAL STATEMENTS, INDEPENDENT AUDITORS' REPORT, REPORT ON COMPLIANCE AND ON INTERNAL CONTROL, MANAGEMENT COMMENTS, AND AUDITORS' REQUIRED DISCLOSURES

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Year ended September 30, 2017

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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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of Leon County, Florida (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County'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 financial statements in accordance accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor judgment, including the assessment of the risk of material misstatement of the 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 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, Florida as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison statements of the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14 and the supplementary pension schedules on pages 101 through 105, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

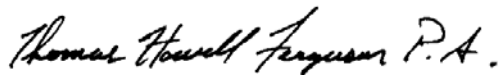
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, schedule of findings and questioned costs, and summary schedule of prior audit findings are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and Chapter 10.550, *Rules of the Auditor General*, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used

to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the 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 County'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 County's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.



Tallahassee, Florida
April 27, 2018

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



Tallahassee, Florida

Management's Discussion and Analysis

This discussion and analysis of Leon County's (the County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2017. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. We trust that the basic financial statements will, in conjunction with additional information provided in our letter of transmittal (pages xii–pages xviii), assist readers in identifying significant financial issues, and in future years, changes in the County's financial position. In this Management's Discussion and Analysis (MD&A), all amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities found on pages 15 and 16-17, respectively) concentrate on the County as a whole and do not emphasize fund types, but rather a governmental or a business-type classification, which are presented in separate columns. The governmental and business-type activities comprise the primary government and are reported separately from the component unit for which the County is accountable. In addition, neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

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

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

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

Fund Financial Statements

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

Fund Financial Statements (continued)

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

Table 1 Major Features of the Basic Financial Statements

	<i>Government-wide Fund Financial Statements</i>	<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
Scope	Entire County government (except fiduciary funds) and the County's component unit	Activities of the County that are not proprietary or fiduciary	Activities of the County that are similar to private businesses	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both, financial and capital, and short-term and long-term	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	• Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

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

Infrastructure Assets

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

Condensed Statement of Net Position

The net investment in capital assets is the largest portion of the County's net position. This represents capital assets (land, buildings, improvements, equipment, furniture, vehicles, and construction in progress, and infrastructure), net of accumulated depreciation, and the outstanding related debt used to acquire the assets in the amount of \$265.8 million as compared to \$270.9 million a year ago; this is a decrease of \$5.1 million. These capital assets are used to provide services to the citizens and businesses in the County; consequently, the net position is not available for future spending. The remaining portion of the net position is considered unrestricted and can be used to finance government operations.

Condensed Statement of Net Position (continued)

Table 2 below presents the County's Condensed Statement of Net Position as of September 30, 2017 and 2016, as derived from the government-wide Statement of Net Position.

Table 2

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 148,417	\$ 148,004	\$ 18,004	\$ 17,523	\$ 166,421	\$ 165,527
Capital assets	291,274	303,144	10,790	11,181	302,064	314,325
Total assets	<u>439,691</u>	<u>451,148</u>	<u>28,794</u>	<u>28,704</u>	<u>468,485</u>	<u>479,852</u>
Deferred outflows	<u>66,397</u>	<u>60,939</u>	<u>0</u>	<u>0</u>	<u>66,397</u>	<u>60,939</u>
 Total assets and deferred outflows	 <u>506,088</u>	 <u>512,087</u>	 <u>28,794</u>	 <u>28,704</u>	 <u>534,882</u>	 <u>540,791</u>
 Current liabilities	 41,132	 38,210	 334	 294	 41,466	 38,504
Noncurrent liabilities	<u>200,085</u>	<u>197,921</u>	<u>14,252</u>	<u>14,033</u>	<u>214,337</u>	<u>211,954</u>
Total liabilities	<u>241,217</u>	<u>236,131</u>	<u>14,586</u>	<u>14,327</u>	<u>255,803</u>	<u>250,458</u>
Deferred inflows	<u>14,315</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,315</u>	<u>0</u>
 Net position:						
Net investment in capital assets	254,974	259,689	10,790	11,181	265,764	270,870
Unrestricted	<u>(4,418)</u>	<u>9,873</u>	<u>3,418</u>	<u>3,197</u>	<u>(1,000)</u>	<u>13,070</u>
*Total net position	<u>\$ 250,556</u>	<u>\$ 269,562</u>	<u>\$ 14,208</u>	<u>\$ 14,378</u>	<u>\$ 264,764</u>	<u>\$ 283,940</u>

**Differences due to rounding*

Condensed Statement of Activities

Table 3 on page 9 presents the County's condensed Statement of Activities for the fiscal years ended September 30, 2017 and 2016, as derived from the government-wide Statement of Activities. Over time, increases and decreases in net position may measure whether the County's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities decreased by \$19.006 million, or 7.1 percent, and the net position of the business-type net position decreased by \$0.170 million, or 1.2 percent. The decrease in Governmental Activities is primarily due to the increase in net pension liability. The decrease in business-type activity is due to an increase in estimated closure/post closure costs for the Landfill in 2017.

In 2003, the Board of County Commissioners adopted an ordinance levying a Utility Services Tax on the unincorporated area of Leon County. This tax generated \$7.1 million in FY 2016 versus \$8.3 million in FY 2017. The County also adopted a Communications Services Tax in FY 2003, with revenues in the amount of \$3.3 million in FY 2017 compared to revenues of \$3.3 million in FY 2016. These two taxes have been a stabilizing factor in the County's financial picture, which was the intent of the ordinances.

Condensed Statement of Activities (continued)

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

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property. Amendment 1 became effective on October 1, 2008, but the ten percent (10%) assessment cap on non-homestead property became effective on January 1, 2009. Property taxes in FY 15 increased by 3.9%, and future growth will be tempered by the above tax changes, with increases mirroring population growth.

The Board of County Commissioners (the Board) Investment Policy is very risk averse and places a premium on security. With the effective rate of return of the portfolio averaging 1.17% for the year, investment earnings in the portfolio earned a total income of \$1,094 million, a decrease of \$1,514 thousand from 2016. Although overall portfolio investable balances were lower, the higher returns resulted from allocating more surplus cash to the State of Florida Special Purpose Investment Account. Additional information on investment income is provided in Note IV of the notes and in the Cash Management section of the Letter of Transmittal.

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

Table 3

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change 2016 to 2017
	2017	2016	2017	2016	2017	2016	
Revenues							
Program Revenues:							
Charges for services	\$ 42,300	\$ 39,618	\$ 9,036	\$ 8,521	\$ 51,336	\$ 48,139	7 %
Operating grants & contributions	15,765	4,977	0	0	15,765	4,977	217 %
Capital grants & contributions	390	4,636	0	0	390	4,636	(92)%
Total Program Revenues	<u>58,455</u>	<u>49,231</u>	<u>9,036</u>	<u>8,521</u>	<u>67,491</u>	<u>57,752</u>	<u>17 %</u>
General Revenues:							
Property taxes	129,926	125,821	0	0	129,926	125,821	3 %
Local option taxes	16,714	15,996	0	0	16,714	15,996	4 %
Communications services taxes	3,331	3,317	0	0	3,331	3,317	0 %
Motor fuel taxes	1,447	1,429	0	0	1,447	1,429	1 %
Utility services taxes	8,344	7,053	0	0	8,344	7,053	18 %
Other taxes	2	0	1,869	1,786	1,871	1,786	5 %
State shared revenues	24,637	23,336	0	0	24,637	23,336	6 %
Investment earnings	1,072	2,233	22	375	1,094	2,608	(58)%
Miscellaneous revenues	3,906	3,718	280	185	4,186	3,903	7 %
Total General Revenues	<u>189,379</u>	<u>182,903</u>	<u>2,171</u>	<u>2,346</u>	<u>191,550</u>	<u>185,249</u>	<u>3 %</u>
Total Revenues	<u>247,834</u>	<u>232,134</u>	<u>11,207</u>	<u>10,867</u>	<u>259,041</u>	<u>243,001</u>	<u>7 %</u>
Program Expenses							
General government	54,147	45,358	0	0	54,147	45,358	19 %
Public safety	115,051	109,608	0	0	115,051	109,608	5 %
Physical environment	11,621	15,250	11,684	15,576	23,305	30,826	(24)%
Transportation	30,848	27,474	0	0	30,848	27,474	12 %
Economic environment	7,397	6,116	0	0	7,397	6,116	21 %
Human services	10,640	10,205	0	0	10,640	10,205	4 %
Culture and recreation	17,686	19,471	0	0	17,686	19,471	(9)%
Judicial	18,016	21,165	0	0	18,016	21,165	(15)%
Interest on long-term debt	1,127	1,211	0	0	1,127	1,211	(7)%
*Total Program Expenses	<u>266,533</u>	<u>255,858</u>	<u>11,684</u>	<u>15,576</u>	<u>278,217</u>	<u>271,434</u>	<u>2 %</u>
Excess (deficiency) before transfers (net)	(18,699)	(23,724)	(477)	(4,709)	(19,176)	(28,433)	(33)%
Transfers	(307)	(552)	307	552	0	0	0 %
Change In Net Position	<u>(19,006)</u>	<u>(24,276)</u>	<u>(170)</u>	<u>(4,157)</u>	<u>(19,176)</u>	<u>(28,433)</u>	<u>(33)%</u>
Beginning net position (restated)	269,563	293,839	14,378	18,535	283,941	312,374	(9)%
*Ending net position	<u>\$ 250,557</u>	<u>\$ 269,563</u>	<u>\$ 14,208</u>	<u>\$ 14,378</u>	<u>\$ 264,765</u>	<u>\$ 283,941</u>	<u>(7)%</u>

**Differences due to rounding*

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. The nature of governmental activities is to be funded primarily from taxes and not to be self-supporting. As a result, overall program revenues were not sufficient to cover program expenses for governmental activities. General revenues, mainly taxes, therefore supported the net program expenses of these governmental activities. Program revenues as a percentage of program expenses increased to 22 percent from fiscal year 2016 to fiscal year 2017. The majority of this increase was the result of utilizing approximately \$9 million in reserves due to the aftermath of Hurricane Hermine. The majority of the costs are expected to be recovered through federal and state reimbursements.

Table 4

Program Expenses and Revenues for Governmental Activities For the Fiscal Year Ended September 30 (in thousands)						
Program Expenses	Less Program Revenues	Net Program Expenses (a)		Program Revenues as a Percentage Program Expenses		
2017	2017	2017	2016	2017	2016	
General government	\$ 54,147	\$ 8,090	\$ 46,057	\$ 37,736	15 %	17 %
Public safety	115,051	34,555	80,496	85,128	30 %	22 %
Physical environment	11,621	1,475	10,146	13,478	13 %	12 %
Transportation	30,848	3,859	26,989	22,706	13 %	17 %
Economic environment	7,397	327	7,070	5,959	4 %	3 %
Human services	10,640	0	10,640	10,161	0 %	0 %
Culture and recreation	17,686	284	17,402	19,047	2 %	2 %
Judicial	18,016	9,866	8,150	11,201	55 %	47 %
Interest on long-term debt	1,127	0	1,127	1,211	N/A	N/A
*Total governmental activities	\$ 266,533	\$ 58,456	\$ 208,077	\$ 206,627	22 %	19 %

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

**Differences from financial statements due to rounding*

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program expenses and revenues for business-type activities. Revenues are not sufficient to cover program expenses in FY 2017. Program revenues as a percentage of expenses increased to 77% from 2016 to 2017. The program expenses decreased by \$3.9 million compared to 2016. In 2017, the the estimated liability for closure/post closure cost for the Landfill increased by \$2.8 million, where as in 2017 the increase was only \$208 thousand. This decrease, along with the current year depreciation of capital assets, resulted in an significant decrease in the program expenses.

Table 5

Program Expenses and Revenues for Business-type Activities For the Year Ended September 30 (in thousands)						
County Programs	Program Expenses	Less Program Revenues	Net Program Expenses		Program Revenues as a Percentage of Program Expenses	
	2017	2017	2017	2016	2017	2016
Landfill	\$ 11,684	\$ 9,036	\$ 2,648	\$ 7,055	77 %	55 %

Overall Analysis

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

- The assets of the County exceeded its liabilities (net position) at the close of fiscal year 2017 by \$250,556,195, as compared to \$269,561,815 for fiscal year 2016, for governmental activities. The assets for business-type activities exceeded its liabilities (net position) at the close of fiscal year 2017 by \$14,207,657 as compared to \$14,377,646 for fiscal year 2016. (Please see the Statement of Activities discussed previously for an explanation of the differences above.)
- The County's total net position decreased by \$19,175,609 during fiscal year 2017, as compared to a \$28,434,510 decrease in fiscal year 2016. The net position of governmental activities decreased by \$19,005,620 in fiscal year 2017, as compared to a decrease of \$24,276,749 in 2016. The net position of business-type activities decreased by \$169,989 in 2017, as compared to a decrease of \$4,157,761 in 2016. This variance for governmental activities is effected by the recognition of pension expenditures in 2017 to comply with GASB 68. (Please see the Statement of Activities discussed previously for an explanation of the differences above.)

Fund Analysis

The following funds experienced significant changes during the year:

Governmental Funds

The County's governmental funds reported a combined ending fund balance of \$115,638,551 for fiscal year 2017, as compared to \$118,494,710 for fiscal year 2016. This reduction in fund balance is a planned appropriation of expenditures primarily in the General Fund and the Capital Improvement Fund. These appropriations allow the Board to maintain existing infrastructure over the next five years.

General Fund

Fund balance at September 30, 2017 has increased to a total of \$34,665,173, as compared to \$31,838,226 for September 30, 2016. As stated above, the \$2,826,947 increase was primarily the result of an increase in the collection of ad-valorem taxes. The General Fund reserves are within policy limits and allow the County to maintain the same property millage rates for 2017.

The General Fund of the Board of County Commission, as displayed on the Combining Balance Sheet, contains both Countywide General Revenue funds and the Non-Countywide General Revenue fund. The sole purpose of the Non-Countywide General Revenue funds is to capture discrete revenues and transfer those revenues to the various funds needing support (i.e. various Debt Service, Municipal Services, Growth Management, etc.) from unincorporated revenues. The Non-Countywide General Revenue funds do not contain any countywide property tax revenues. The actual year end fund balance for the Countywide General Revenue funds is \$28,921,968 for FY 2017 versus \$39,800,757 for FY 2016. The Non-Countywide fund balance is \$1,203,672 for FY 2017, versus \$2,693,540 for FY 2016.

Fine & Forfeiture Fund

Fund balance at September 30, 2017 totaled \$1,997,109, as compared to \$1,247,520 for September 30, 2016. This is an increase for the fiscal year and relates to an increase in ad valorem taxes used to support the Sheriff's Department.

Grants Fund

The fund balance at September 30, 2017 totaled \$986,437, as compared to the September 30, 2016 balance of \$2,062,892. This was a decrease of \$1,076,455, primarily related to a reduction in transportation related grants in the current fiscal year. Grant expenditures were completely offset by grant revenues plus the County transfers required for matching requirements.

Fire Rescue Services Fund

The Fire Rescue Services Fund accounts for the contractual services with the City of Tallahassee to provide fire services in the unincorporated area. Revenues are collected through a fire services fee charged to all unincorporated properties. The fees were developed by a consultant that determined the costs for providing fire services to the different types of properties. This is the sixth year that this fund is considered a major fund. The net change in fund balance is an increase of \$264,081 with fund balance in FY 2017 at \$1,494,604 from a fund balance in FY 2016 of \$1,230,523. This increase is due to an decrease in expenditures related to volunteer fire department costs.

Special Assessments Paving Fund

The Special Assessment Paving Fund accounts for the repayment of special assessments associated with the County's paving program. Revenues are collected as a non-ad valorem special assessment on the annual tax bill. The revenues are from property owners that are repaying the county for the costs to construct the paving projects. The net change in fund balance is an increase of \$146,062 with fund balance in September 30, 2017 at \$564,494 from a fund balance in September 30, 2016 of \$418,432. The increase is due to receipts paid in advance.

Capital Improvement Fund

Fund balance at September 30, 2017 totaled \$24,279,051, as compared to \$29,391,988 for September 30, 2016. This was a decrease of \$5,112,937. This decrease can be attributed to the County's planned spending on various capital projects such as general vehicle and equipment replacement, maintenance and improvement of various parks, maintenance on parking lots, and improvements to the boat landings and ramps.

Enterprise Funds

The County's proprietary funds reported net position of \$14,207,657 for September 30, 2017, as compared to \$14,377,646 for September 30, 2016, which is an decrease of \$169,989. The estimated liability for landfill closure and postclosure costs increased slightly compared to 2016.

Budget Variances in the General Fund

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

Capital Asset and Long-term Debt Activity

Capital Asset Activity

The County reported \$291,274,266 in capital assets for governmental activities and \$10,789,723 in capital assets for business-type activities at September 30, 2017, versus \$303,144,297 for governmental and \$11,180,943 for business-type activities at September 30, 2016. Please refer to Note VI in the Notes to the Financial Statements for additional information on capital assets and Note XIV in the Notes to the Financial Statements for additional information on construction commitments.

Debt Administration Activity

At September 30, 2017, the County had \$36,679,122 of outstanding bonded debt, as compared to \$43,881,514 at September 30, 2016. All of the County's debt is secured by specific general fund revenues, including sales tax, state revenue sharing, and specific other general fund revenues. The County has no general obligation bonds, which would be backed by the full faith and credit of the County. During 2017, the County refunded the 2014 Capital Improvement Revenue Refunding Bonds with a bank loan. Leon County will finish paying off debt in 2025. There are no plans for financing any future infrastructure projects over the next five years. For more information on long-term debt activity, please see Note VIII on Long-term Obligations in the Notes to the Financial Statements.

Economic Factors

Economic activity continues to rebound from the recession.

- Leon County's unemployment rate decreased to 3.6% in FY 2017, compared to the State of Florida's unemployment rate of 4.0%.
- Visitors to Leon County had an economic impact of \$895.8 million in 2017, an increase of \$124.5 million compared to 2016.
- The Florida Price Index Level for Leon County increased from 96.3 in 2016 to 97.2 in 2017.
- The total market value of parcels with homestead exemption in Leon County increased from \$9.6 billion in 2016 to \$10.12 billion in 2017
- Total employment decreased by 0.9% compared to the prior year.
- The estimated population in Leon County increased from 287,671 to 287,899 during FY 2017.
- New construction permits increased by 18.6% in FY 2017, from 1,846 to 2,190.
- Mortgage foreclosure cases decreased by 3% in 2017 when compared to 2016, the fifth consecutive year of declining rates.

Request for Information

This financial report is designed to provide a general overview of Leon County Government's finances for all those with an interest in our government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Clerk of Circuit Court & Comptroller, Finance Department Leon County, 301 S. Monroe Street, Room #100, Tallahassee, Florida 32301. Requests can also be made telephonically at (850) 606-4020 or by fax at (850) 606-4171. We also suggest visiting our website at www.clerk.leon.fl.us for further financial information.

Leon County, Florida

Statement of Net Position

September 30, 2017

	Governmental Activities	Business-Type Activities	Total	Component Unit Housing Finance Authority
Assets				
Current assets:				
Cash	\$ 21,394,895	\$ 1,430	\$ 21,396,325	\$ 695,852
Investments	101,225,689	6,799,134	108,024,823	0
Receivables	8,216,721	1,284,084	9,500,805	10
Receivables from other governments	16,419,811	0	16,419,811	0
Inventory	733,348	1,214	734,562	0
Other assets	426,369	0	426,369	0
Total current assets	148,416,833	8,085,862	156,502,695	695,862
Noncurrent assets:				
Restricted assets:				
Cash and investments	0	9,917,987	9,917,987	0
Capital assets:				
Land and construction in progress, nondepreciable	61,043,054	1,809,844	62,852,898	0
Depreciable (net)	230,231,212	8,979,879	239,211,091	0
Total noncurrent assets	291,274,266	20,707,710	311,981,976	0
Total assets	439,691,099	28,793,572	468,484,671	695,862
Deferred outflows of resources				
Deferred outflow of resources	66,396,608	0	66,396,608	0
Total deferred outflows	66,396,608	0	66,396,608	0
Total assets and deferred outflows of resources	506,087,707	28,793,572	534,881,279	695,862
Liabilities				
Current liabilities:				
Accounts payable	15,245,942	741,408	15,987,350	250
Payable to other governments	2,638,172	0	2,638,172	0
Internal balances	468,984	(468,984)	0	0
Accrued compensated absences	5,076,491	61,298	5,137,789	0
Unearned revenues	5,818,031	0	5,818,031	0
Bonds and notes payable	7,588,693	0	7,588,693	0
Estimated liability for closure/postclosure costs	0	375,325	375,325	0
Claims payable	4,451,773	0	4,451,773	0
Total current liabilities	41,288,086	709,047	41,997,133	250
Noncurrent liabilities:				
Deposits	544,556	0	544,556	0
Estimated liability for landfill closure and postclosure care costs	0	13,621,973	13,621,973	0
Arbitrage rebate liability	25,000	0	25,000	0
Accrued compensated absences	12,072,445	117,831	12,190,276	0
Other postemployment benefits obligation	8,805,512	137,064	8,942,576	0
Net pension liability	149,008,290	0	149,008,290	0
Bonds and notes payable	29,473,002	0	29,473,002	0
Total noncurrent liabilities	199,928,805	13,876,868	213,805,673	0
Total liabilities	241,216,891	14,585,915	255,802,806	250
Deferred inflows of resources				
Deferred inflow of resources	14,314,621	0	14,314,621	0
Total deferred inflows of resources	14,314,621	0	14,314,621	250
Net position				
Net investment in capital assets	254,974,266	10,789,723	265,763,989	0
Unrestricted	(4,418,071)	3,417,934	(1,000,137)	695,612
Total net position	\$ 250,556,195	\$ 14,207,657	\$ 264,763,852	\$ 695,612

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

Leon County, Florida

Statement of Activities

Year Ended September 30, 2017

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operational Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 54,147,214	\$ 7,697,462	\$ 392,934	\$ 0
Public safety	115,051,474	22,638,290	11,808,621	108,166
Physical environment	11,620,598	1,068,041	329,133	77,513
Transportation	30,848,294	2,778,098	886,549	194,052
Economic environment	7,396,517	326,512	0	0
Human services	10,639,592	0	0	0
Culture and recreation	17,686,163	247,300	26,074	10,739
Judicial	18,015,603	7,544,532	2,321,858	0
Interest on long-term debt	1,127,411	0	0	0
Total governmental activities	266,532,866	42,300,235	15,765,169	390,470
Business-type activities:				
Landfill	11,683,788	9,036,251	0	0
Total business-type activities	11,683,788	9,036,251	0	0
Total primary government	\$ 278,216,654	\$ 51,336,486	\$ 15,765,169	\$ 390,470
Component Unit:				
Economic environment	70,865	61,570	0	0
Total component unit	\$ 70,865	\$ 61,570	\$ 0	\$ 0

General Revenues:

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

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

Net Revenue (Expense) and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	Component Unit
			Housing Finance Authority
\$ (46,056,818)	\$ 0	\$ (46,056,818)	\$ 0
(80,496,397)	0	(80,496,397)	0
(10,145,911)	0	(10,145,911)	0
(26,989,595)	0	(26,989,595)	0
(7,070,005)	0	(7,070,005)	0
(10,639,592)	0	(10,639,592)	0
(17,402,050)	0	(17,402,050)	0
(8,149,213)	0	(8,149,213)	0
(1,127,411)	0	(1,127,411)	0
(208,076,992)	0	(208,076,992)	0
0	(2,647,537)	(2,647,537)	0
0	(2,647,537)	(2,647,537)	0
(208,076,992)	(2,647,537)	(210,724,529)	0
0	0	0	(9,295)
0	0	0	(9,295)
129,925,678	0	129,925,678	0
16,713,620	0	16,713,620	0
3,330,698	0	3,330,698	0
1,447,062	0	1,447,062	0
8,344,130	0	8,344,130	0
1,709	1,868,893	1,870,602	0
24,637,111	0	24,637,111	0
1,072,300	22,347	1,094,647	7,072
3,905,588	279,784	4,185,372	47,825
(306,524)	306,524	0	0
189,071,372	2,477,548	191,548,920	54,897
(19,005,620)	(169,989)	(19,175,609)	45,602
269,561,815	14,377,646	283,939,461	650,010
\$ 250,556,195	\$ 14,207,657	\$ 264,763,852	\$ 695,612

Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2017

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Assets				
Cash	\$ 13,476,523	\$ 159,622	\$ 23,288	\$ 815
Investments	20,053,928	1,617,424	3,567,109	2,096,798
Receivables:				
Accounts	191,679	4,362	327,911	5,655
Intergovernmental	12,070,165	1	1,454,745	0
Special assessments	0	0	0	0
Due from other funds	1,109,739	451,908	29,789	0
Inventory	690,298	0	0	0
Other assets	407,537	0	0	0
Total assets	<u>\$ 47,999,869</u>	<u>\$ 2,233,317</u>	<u>\$ 5,402,842</u>	<u>\$ 2,103,268</u>
Liabilities, deferred inflows, and fund balances				
Liabilities:				
Accounts payable	\$ 5,830,586	\$ 33,607	\$ 202,209	\$ 91,274
Accrued liabilities	4,960,025	0	9,809	0
Intergovernmental payables	1,090,751	0	0	517,390
Due to other funds	1,385,615	0	16,190	0
Deposits	67,719	202,601	0	0
Unearned revenues	0	0	4,188,199	0
Total liabilities	<u>13,334,696</u>	<u>236,208</u>	<u>4,416,407</u>	<u>608,664</u>
Deferred inflows:				
Deferred inflow of resources	0	0	0	0
Total deferred inflows	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:				
Nonspendable	1,097,835	0	0	0
Restricted	0	0	986,435	0
Committed	5,199,776	299,566	0	1,494,604
Assigned	8,254,963	1,697,543	0	0
Unassigned	20,112,599	0	0	0
Total fund balances	<u>34,665,173</u>	<u>1,997,109</u>	<u>986,435</u>	<u>1,494,604</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 47,999,869</u>	<u>\$ 2,233,317</u>	<u>\$ 5,402,842</u>	<u>\$ 2,103,268</u>

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

<u>Special Assessment Paving Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 540,935	\$ 0	\$ 6,266,948	\$ 20,468,131
0	23,956,854	43,327,046	94,619,159
23,569	1,367,630	5,150,444	7,071,250
0	0	2,880,902	16,405,813
928,864	0	(2,057)	926,807
0	0	201,611	1,793,047
0	0	3,340	693,638
0	0	18,832	426,369
<u>\$ 1,493,368</u>	<u>\$ 25,324,484</u>	<u>\$ 57,847,066</u>	<u>\$ 142,404,214</u>
\$ 0	\$ 895,508	\$ 2,472,860	\$ 9,526,044
0	0	547,105	5,516,939
0	0	1,030,031	2,638,172
0	0	391,242	1,793,047
0	149,925	124,311	544,556
0	0	1,629,832	5,818,031
<u>0</u>	<u>1,045,433</u>	<u>6,195,381</u>	<u>25,836,789</u>
928,874	0	0	928,874
<u>928,874</u>	<u>0</u>	<u>0</u>	<u>928,874</u>
0	0	22,172	1,120,007
0	24,279,051	38,016,034	63,281,520
564,494	0	11,976,897	19,535,337
0	0	1,636,582	11,589,088
0	0	0	20,112,599
<u>564,494</u>	<u>24,279,051</u>	<u>51,651,685</u>	<u>115,638,551</u>
<u>\$ 1,493,368</u>	<u>\$ 25,324,484</u>	<u>\$ 57,847,066</u>	<u>\$ 142,404,214</u>

Leon County, Florida

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

September 30, 2017

Total fund balances of governmental funds		\$	115,638,551

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial resources, and
therefore are not reported as assets in governmental funds.

Governmental capital assets	661,445,419	
Less accumulated depreciation	<u>(370,171,153)</u>	291,274,266

Long-term liabilities, including bonds payable are not due and payable in the
current period and, therefore, are not reported in the governmental funds.

Governmental bonds and notes payable	(36,682,573)	
Discount/(Premium)	(379,122)	
Pension related deferred outflows	66,396,608	
Pension related deferred inflows	(13,385,747)	
Net pension liability	(149,008,290)	
Compensated absences net of internal service amount	(16,515,466)	
Other postemployment benefits net of internal service amount	(8,755,488)	
Arbitrage rebate liability	<u>(25,000)</u>	(158,355,078)

Internal service funds are used by management to charge the costs of gasoline,
vehicle repair, risk management, and telephone services to individual funds.

The assets and liabilities of the internal service funds are included in
governmental activities in the Statement of Net Position.

Total net position of governmental activities		\$	<u>1,998,456</u> <u>250,556,195</u>

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

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Leon County, Florida

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

Year Ended September 30, 2017

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Revenues				
Taxes	\$ 49,875,319	\$ 72,869,625	\$ 0	\$ 0
Licenses and permits	9,600	0	36,222	0
Intergovernmental	31,376,532	24,877	2,568,167	0
Charges for services	7,787,869	897,081	94,556	7,385,252
Fines and forfeitures	0	123,204	0	0
Interest	868,597	156,346	4,433	32,773
Net increase (decrease) in fair value of investments	(201,151)	(9,394)	(31,772)	(15,946)
Miscellaneous	364,489	0	(142,678)	0
Total revenues	<u>90,081,255</u>	<u>74,061,739</u>	<u>2,528,928</u>	<u>7,402,079</u>
Expenditures				
Current:				
General government	44,192,075	0	163	0
Public safety	70,687,400	0	584,225	8,324,058
Physical environment	2,356,760	0	517,937	0
Transportation	0	0	1,660,740	0
Economic environment	2,745,247	0	368,862	0
Human services	7,998,819	100,000	33,480	0
Culture and recreation	6,661,838	0	282,265	0
Judicial	7,095,273	1,707,911	158,875	0
Debt service:				
Principal retirement	0	0	0	0
Interest and fiscal charges	0	0	0	0
Other debt service costs	0	0	0	0
Total expenditures	<u>141,737,412</u>	<u>1,807,911</u>	<u>3,606,547</u>	<u>8,324,058</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,656,157)</u>	<u>72,253,828</u>	<u>(1,077,619)</u>	<u>(921,979)</u>
Other financing sources (uses)				
Transfers in	73,030,554	419,320	17,352	1,224,459
Refunding bonds issued	0	0	0	0
Transfers out	(18,547,450)	(71,923,559)	(16,190)	(38,399)
Payment to refunding bond escrow agent	0	0	0	0
Total other financing sources (uses)	<u>54,483,104</u>	<u>(71,504,239)</u>	<u>1,162</u>	<u>1,186,060</u>
Net change in fund balances	2,826,947	749,589	(1,076,457)	264,081
Fund balances, October 1	<u>31,838,226</u>	<u>1,247,520</u>	<u>2,062,892</u>	<u>1,230,523</u>
Fund balances, September 30	<u>\$ 34,665,173</u>	<u>\$ 1,997,109</u>	<u>\$ 986,435</u>	<u>\$ 1,494,604</u>

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

<u>Special Assessment Paving Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,709	\$ 0	\$ 37,016,244	\$ 159,762,897
0	0	3,077,931	3,123,753
0	0	9,193,846	43,163,422
0	0	19,909,162	36,073,920
0	0	609,386	732,590
40,547	257,049	517,997	1,877,742
0	(201,323)	(345,856)	(805,442)
282,155	1,300,000	2,100,926	3,904,892
<u>324,411</u>	<u>1,355,726</u>	<u>72,079,636</u>	<u>247,833,774</u>
0	4,610,454	2,208,724	51,011,416
0	1,415,280	26,961,250	107,972,213
0	1,466,943	8,184,887	12,526,527
0	156,654	18,529,427	20,346,821
0	0	4,031,498	7,145,607
0	0	1,979,941	10,112,240
0	2,269,888	6,431,870	15,645,861
0	1,376,856	6,756,681	17,095,596
0	0	7,609,077	7,609,077
0	0	803,817	803,817
0	0	57,691	57,691
<u>0</u>	<u>11,296,075</u>	<u>83,554,863</u>	<u>250,326,866</u>
<u>324,411</u>	<u>(9,940,349)</u>	<u>(11,475,227)</u>	<u>(2,493,092)</u>
0	4,827,412	22,333,102	101,852,199
0	0	15,991,002	15,991,002
(178,349)	0	(11,454,776)	(102,158,723)
0	0	(16,047,545)	(16,047,545)
<u>(178,349)</u>	<u>4,827,412</u>	<u>10,821,783</u>	<u>(363,067)</u>
146,062	(5,112,937)	(653,444)	(2,856,159)
418,432	29,391,988	52,305,129	118,494,710
<u>\$ 564,494</u>	<u>\$ 24,279,051</u>	<u>\$ 51,651,685</u>	<u>\$ 115,638,551</u>

Leon County, Florida

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

Year Ended September 30, 2017

Net change in fund balances - total governmental funds		\$ (2,856,159)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	8,910,906	
Less current year depreciation	<u>(20,780,937)</u>	(11,870,031)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		23,600,077
Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the Statement of Net Position.		(15,991,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.		
Amortization of current year bond discount/premium	47,390	
Amortization of current year bond costs	(256,750)	
Change in other postemployment benefits	(906,065)	
Change in compensated absences	(797,214)	
Change in net pension liability	<u>(10,347,988)</u>	(12,260,627)
Internal service funds are used by management to charge the costs of gasoline, vehicle repair, risk management, and telephone services to individual funds.		372,120
Change in net position of governmental activities		<u>\$ (19,005,620)</u>

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

Leon County, Florida

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

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 49,239,656	\$ 49,239,656	\$ 49,875,319	\$ 635,663
Licenses and permits	0	0	9,600	9,600
Intergovernmental	20,940,832	23,191,739	31,376,532	8,184,793
Charges for services	12,194,839	12,758,065	7,787,869	(4,970,196)
Interest	449,469	449,469	868,597	419,128
Net increase (decrease) in fair value of investments	0	0	(201,151)	(201,151)
Miscellaneous	343,650	569,097	364,489	(204,608)
Total revenues	<u>83,168,446</u>	<u>86,208,026</u>	<u>90,081,255</u>	<u>3,873,229</u>
Expenditures				
Current:				
General government	39,571,945	48,756,996	44,192,075	4,564,921
Public safety	70,712,045	71,328,782	70,687,400	641,382
Physical environment	2,394,799	2,394,799	2,356,760	38,039
Economic environment	2,804,279	2,810,499	2,745,247	65,252
Human services	8,320,211	8,497,907	7,998,819	499,088
Culture and recreation	7,016,639	6,766,813	6,661,838	104,975
Judicial	4,844,405	5,752,356	7,095,273	(1,342,917)
Total expenditures	<u>135,664,323</u>	<u>146,308,152</u>	<u>141,737,412</u>	<u>4,570,740</u>
Excess (deficiency) of revenues over (under) expenditure	<u>(52,495,877)</u>	<u>(60,100,126)</u>	<u>(51,656,157)</u>	<u>8,443,969</u>
Other financing sources (uses)				
Transfers in	92,804,065	93,554,658	73,030,554	(20,524,104)
Transfers out	(42,845,510)	(43,520,510)	(18,547,450)	24,973,060
Total other financing sources (uses)	<u>49,958,555</u>	<u>50,034,148</u>	<u>54,483,104</u>	<u>4,448,956</u>
Net change in fund balances	(2,537,322)	(10,065,978)	2,826,947	12,892,925
Fund balances, October 1	<u>31,838,226</u>	<u>31,838,226</u>	<u>31,838,226</u>	<u>0</u>
Fund balances, September 30	<u>\$ 29,300,904</u>	<u>\$ 21,772,248</u>	<u>\$ 34,665,173</u>	<u>\$ 12,892,925</u>

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

Leon County, Florida

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

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 71,924,242	\$ 71,924,242	\$ 72,869,625	\$ 945,383
Intergovernmental	15,500	15,500	24,877	9,377
Charges for services	884,000	884,000	897,081	13,081
Fines and forfeitures	118,500	118,500	123,204	4,704
Interest	98,349	98,349	156,346	57,997
Net increase (decrease) in fair value of investments	0	0	(9,394)	(9,394)
Total revenues	<u>73,040,591</u>	<u>73,040,591</u>	<u>74,061,739</u>	<u>1,021,148</u>
Expenditures				
Human services	100,000	100,000	100,000	0
Judicial	<u>1,717,032</u>	<u>1,817,032</u>	<u>1,707,911</u>	<u>109,121</u>
Total expenditures	<u>1,817,032</u>	<u>1,917,032</u>	<u>1,807,911</u>	<u>109,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,223,559</u>	<u>71,123,559</u>	<u>72,253,828</u>	<u>1,130,269</u>
Other financing sources (uses)				
Transfers in	0	0	419,320	419,320
Transfers out	<u>(71,223,559)</u>	<u>(71,973,559)</u>	<u>(71,923,559)</u>	<u>50,000</u>
Total other financing sources (uses)	<u>(71,223,559)</u>	<u>(71,973,559)</u>	<u>(71,504,239)</u>	<u>469,320</u>
Net change in fund balances	0	(850,000)	749,589	1,599,589
Fund balances, October 1	<u>1,247,520</u>	<u>1,247,520</u>	<u>1,247,520</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,247,520</u>	<u>\$ 397,520</u>	<u>\$ 1,997,109</u>	<u>\$ 1,599,589</u>

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

Leon County, Florida

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

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Licenses and permits	\$ 0	\$ 36,225	\$ 36,222	\$ (3)
Intergovernmental	389,267	15,938,182	2,568,167	(13,370,015)
Charges for services	84,835	296,956	94,556	(202,400)
Interest	0	6,479	4,433	(2,046)
Net increase (decrease) in fair value of investments	0	0	(31,772)	(31,772)
Miscellaneous	0	1,002,962	(142,678)	(1,145,640)
Total revenues	<u>474,102</u>	<u>17,280,804</u>	<u>2,528,928</u>	<u>(14,751,876)</u>
Expenditures				
General government	0	588	163	425
Public safety	350,882	1,813,989	584,225	1,229,764
Physical environment	0	4,819,223	517,937	4,301,286
Transportation	0	8,073,965	1,660,740	6,413,225
Economic environment	0	1,565,457	368,862	1,196,595
Human services	32,521	55,962	33,480	22,482
Culture and recreation	15,000	2,206,862	282,265	1,924,597
Judicial	216,690	250,307	158,875	91,432
Total expenditures	<u>615,093</u>	<u>18,786,353</u>	<u>3,606,547</u>	<u>15,179,806</u>
Excess (deficiency) of revenue (under) over expenditures	<u>(140,991)</u>	<u>(1,505,549)</u>	<u>(1,077,619)</u>	<u>427,930</u>
Other financing sources (uses)				
Transfers in	0	17,352	17,352	0
Transfers out	(121,155)	0	(16,190)	(16,190)
Total other financing sources (uses)	<u>(121,155)</u>	<u>17,352</u>	<u>1,162</u>	<u>(16,190)</u>
Net change in fund balances	(262,146)	(1,488,197)	(1,076,457)	411,740
Fund balances, October 1	<u>2,062,892</u>	<u>2,062,892</u>	<u>2,062,892</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,800,746</u>	<u>\$ 574,695</u>	<u>\$ 986,435</u>	<u>\$ 411,740</u>

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

Leon County, Florida

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

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 7,094,946	\$ 7,302,564	\$ 7,385,252	\$ 82,688
Interest	0	0	32,773	32,773
Net increase (decrease) in fair value of investments	0	0	(15,946)	(15,946)
Total revenues	<u>7,094,946</u>	<u>7,302,564</u>	<u>7,402,079</u>	<u>99,515</u>
Expenditures				
Public safety	<u>8,280,315</u>	<u>8,487,933</u>	<u>8,324,058</u>	<u>163,875</u>
Total Expenditures	<u>8,280,315</u>	<u>8,487,933</u>	<u>8,324,058</u>	<u>163,875</u>
Excess of revenues over expenditures	(1,185,369)	(1,185,369)	(921,979)	263,390
Other financing sources (uses)				
Transfers in	1,224,459	1,224,459	1,224,459	0
Transfers out	(39,090)	(39,090)	(38,399)	691
Total other financing sources (uses)	<u>1,185,369</u>	<u>1,185,369</u>	<u>1,186,060</u>	<u>691</u>
Net change in fund balances	0	0	264,081	264,081
Fund balances, October 1	<u>1,230,523</u>	<u>1,230,523</u>	<u>1,230,523</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,230,523</u>	<u>\$ 1,230,523</u>	<u>\$ 1,494,604</u>	<u>\$ 264,081</u>

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

Leon County, Florida

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

Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 0	\$ 0	\$ 1,709	\$ 1,709
Interest	32,965	32,965	40,547	7,582
Miscellaneous	145,350	145,350	282,155	136,805
Total revenues	<u>178,315</u>	<u>178,315</u>	<u>324,411</u>	<u>146,096</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 (deficiency) of revenues over (under) expenditures	<u>178,315</u>	<u>178,315</u>	<u>324,411</u>	<u>146,096</u>
Other financing sources (uses)				
Transfers out	<u>(178,315)</u>	<u>(178,315)</u>	<u>(178,349)</u>	<u>(34)</u>
Total other financing sources (uses)	<u>(178,315)</u>	<u>(178,315)</u>	<u>(178,349)</u>	<u>(34)</u>
Net change in fund balances	0	0	146,062	146,062
Fund balances, October 1	<u>418,432</u>	<u>418,432</u>	<u>418,432</u>	<u>0</u>
Fund balances, September 30	<u>\$ 418,432</u>	<u>\$ 418,432</u>	<u>\$ 564,494</u>	<u>\$ 146,062</u>

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

Leon County, Florida

Statement of Net Position
Proprietary Funds

September 30, 2017

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash	\$ 1,430	\$ 824,094
Cash with fiscal agent	0	6,606,530
Investments	6,799,134	102,670
Receivables:		
Accounts	1,284,084	218,664
Intergovernmental	0	13,998
Inventory	1,214	39,710
Total current assets	<u>8,085,862</u>	<u>7,805,666</u>
Noncurrent assets:		
Restricted cash and investments	9,917,987	0
Capital assets:		
Land nondepreciable	1,809,844	0
Depreciable (net)	8,979,879	0
Total noncurrent assets	<u>20,707,710</u>	<u>0</u>
Total assets	<u>28,793,572</u>	<u>7,805,666</u>
Liabilities		
Current liabilities:		
Accounts payable	708,678	191,011
Accrued liabilities	32,730	61,970
Compensated absences	61,298	321,068
Liability for closure costs/maintenance	375,325	0
Claims and judgements	0	4,451,773
Total current liabilities	<u>1,178,031</u>	<u>5,025,822</u>
Noncurrent liabilities:		
Compensated absences	117,831	312,402
Liability for closure costs/maintenance	13,621,973	0
Other postemployment benefits obligation	137,064	0
Total noncurrent liabilities	<u>13,876,868</u>	<u>312,402</u>
Total liabilities	<u>15,054,899</u>	<u>5,338,224</u>
Net position		
Investment in capital assets	10,789,723	0
Unrestricted	2,948,950	2,467,442
Total net position	<u>13,738,673</u>	<u>\$ 2,467,442</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	468,984	
Net position of business-type activities	<u>\$ 14,207,657</u>	

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

Leon County, Florida

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

Year Ended September 30, 2017

	Business-type Activities- Landfill Fund	Governmental Activities- Internal Service Funds
Operating revenues		
Charges for services	\$ 9,033,261	\$ 7,664,347
Total operating revenues	<u>9,033,261</u>	<u>7,664,347</u>
Operating expenses		
Personnel services	1,701,949	657,912
Contractual services	7,090,868	109,001
Supplies	262,054	1,111,244
Communications services	30,297	637,708
Insurance	53,418	3,418,360
Utility services	5,103	0
Depreciation	949,636	0
Other services and charges	1,615,463	1,344,586
Total operating expenses	<u>11,708,788</u>	<u>7,278,811</u>
Operating income (loss)	<u>(2,675,527)</u>	<u>385,536</u>
Nonoperating revenues		
Taxes	1,868,893	0
Interest	205,419	65,081
Net decrease in fair value of investments	(183,072)	(50,501)
Miscellaneous	279,784	0
Total nonoperating revenues	<u>2,171,024</u>	<u>14,580</u>
Income (loss) before transfers	(504,503)	400,116
Transfers in	448,670	0
Transfers out	<u>(117,146)</u>	<u>(25,000)</u>
* Change in net position	(172,979)	375,116
Net position, October 1	<u>13,911,652</u>	<u>2,092,326</u>
Net position, September 30	<u>\$ 13,738,673</u>	<u>\$ 2,467,442</u>

* Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net position of business-type activities

2,990
<u>\$ (169,989)</u>

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

Leon County, Florida

Statement of Cash Flows
Proprietary Funds

Year Ended September 30, 2017

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 9,051,200	\$ 389,988
Payments to suppliers	(8,971,516)	(4,608,207)
Payments to employees	(1,680,162)	(636,432)
Claims paid	0	(1,816,789)
Payment for interfund services	(53,418)	0
Payments from interfund services	0	7,233,119
Net cash (used in) provided by operating activities	<u>(1,653,896)</u>	<u>561,679</u>
Cash flows from noncapital financing activities		
Tax proceeds	1,868,893	0
Transfers from other funds	448,670	0
Transfers to other funds	<u>(117,146)</u>	<u>(25,000)</u>
Net cash provided by (used in) noncapital financing activities	<u>2,200,417</u>	<u>(25,000)</u>
Cash flows from capital and related financing activities		
Sale of property	701,752	0
Acquisition and/or construction of capital assets	<u>(980,385)</u>	<u>0</u>
Net cash used in capital and related financing activities	<u>(278,633)</u>	<u>0</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	4,837,569	2,907,938
Purchases of investments	(5,123,490)	(3,442,555)
Interest and dividends received	<u>18,459</u>	<u>9,761</u>
Net cash used in investing activities	<u>(267,462)</u>	<u>(524,856)</u>
Net increase in cash	426	11,823
Cash and equivalents, October 1	<u>1,004</u>	<u>914,941</u>
Cash and equivalents, September 30	<u><u>\$ 1,430</u></u>	<u><u>\$ 926,764</u></u>

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

Leon County, Florida

Statement of Cash Flows
Proprietary Funds

Year Ended September 30, 2017

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Reconciliation of operating (loss)		
income to net cash (used in) provided by operating activities		
Operating (loss) income	\$ (2,675,527)	\$ 385,536
Adjustments to reconcile operating		
(loss) income to net cash (used in) provided by operating activities:		
Depreciation expense	949,636	0
Change in assets and liabilities:		
Receivables	(190,136)	(55,237)
Due from other funds	0	10,685
Inventories	0	0
Accounts payable	32,270	195,904
Accrued expenses	21,787	24,791
Other current liabilities	0	0
Unearned revenues	0	0
Estimated liability for closure	208,074	0
Net cash (used in) provided by operating activities	<u>\$ (1,653,896)</u>	<u>\$ 561,679</u>

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

Leon County, Florida

Statement of Fiduciary Net Position
Agency Funds

September 30, 2017

	<u>Total Agency Funds</u>
Assets	
Cash	\$ 7,533,285
Accounts receivable	3,646,171
Intergovernmental receivables	0
Total assets	<u>\$ 11,179,456</u>
Liabilities	
Accounts payable	\$ 2,223,139
Intergovernmental payables	2,899,732
Deposits	4,275,531
Installment tax deposits	1,781,054
Total liabilities	<u>\$ 11,179,456</u>

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

LEON COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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LEON COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Component Units

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

Specific criteria used to determine financial accountability are:

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Component Units (continued)

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

Financial statements of component units would be included in the financial reporting entity either as a blended component unit or as a discretely presented component unit in accordance with governmental accounting standards. At September 30, 2017, the only component unit of the County is The Housing Finance Authority of Leon County (the Authority) and is presented in a separate column on the County's financial statements.

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

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

Excluded from the Reporting Entity

The Leon County Health Facilities Authority, Leon County Research and Development Authority, Leon County Education Facilities Authority, 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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Excluded from the Reporting Entity (continued)

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

- Leon County District School Board
- 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.

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.

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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Capital Regional Transportation Planning Agency (continued)

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 City of Tallahassee transit system.

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.

Blueprint 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, now known as the Blueprint Intergovernmental Agency (Blueprint) to govern the project management for the project planning and construction of a list of projects known as the Blueprint projects. The Board of County Commissioners and the City Commission constitute Blueprint's Board of Directors and jointly govern the organization. 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, Blueprint provides construction management services to the County. For these services Blueprint and the County enter 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, 315 S. Calhoun Street, Suite 450, Tallahassee, Florida 32301.

B. Measurement Focus and Basis of Accounting

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

- Government-wide financial statements
- Fund financial statements

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

- Notes to the financial statements

Government-wide Financial Statements

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements

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

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

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the County receives cash.

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

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

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

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

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

Proprietary Funds

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

Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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

C. Basis of Presentation

GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Governmental Major Funds:

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

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

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

Grants — This fund is used to account for and report the proceeds of revenues that are restricted or committed to expenditures of federal, state and local grants awarded to the County. This fund also includes the corresponding County matching funds for the various grants.

Fire Rescue Services — 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 non-ad valorem special assessment on the annual tax bill. The revenues are repaying the county for the costs to construct the paving projects.

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

Proprietary Major Fund:

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

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

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Other Fund Types:

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

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

Noncurrent Governmental Assets/Liabilities

GASB 34 requires noncurrent governmental assets, such as land and buildings, and noncurrent governmental liabilities, such as general obligation bonds, revenue bonds, and capital leases, be reported in the governmental activities column in the government-wide Statement of Net Position.

D. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Investments

Florida Statutes authorize the County to invest in various instruments. The County reports investments in accordance with the requirements of GASB pronouncements.

Receivables and Payables

Receivables are shown net of an allowance for uncollectibles. The emergency medical services allowance is equal to 69% of outstanding gross charges at September 30, 2017.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. Infrastructure assets are defined as public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the government unit. All qualified infrastructure assets have been capitalized and included in the September 30, 2017 financial statements. Capital assets are reported in the government-wide financial statements in the applicable governmental or business-type activities column, as well as the proprietary fund financial statements. Capital assets are defined by Section 274.02, *Florida Statutes*, to include items of a nonconsumable nature with a value of at least \$1,000 and a life of one year or more. The County maintains an administrative record of these assets. However, for reporting purposes, the threshold for capitalizing property, plant, and equipment is \$20,000, buildings \$50,000 and infrastructure is \$100,000. Capital assets are recorded at cost or estimated historical cost. Donated capital assets, donated works of art or similar items, and capital assets received in any service concession arrangement is reported at acquisition value. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The ranges of useful lives are as follows:

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

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

Capitalization of Interest

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

Unearned Revenues

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

Landfill Closure Costs

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Landfill Closure Costs (continued)

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

Accrued Compensated Absences

The County accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The noncurrent portion is the amount estimated to be used in subsequent fiscal years. Both the current and noncurrent estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and the government-wide presentations.

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

Net Obligation for Pension Benefits

The County offers retiree pension benefits for qualifying employees that have retired from a Florida Retirement System (FRS) pension plan. Following the provisions of GASB Statement No. 68, a net obligation is accrued as a non-current liability and is a reconciling item between the fund and the government-wide presentations.

Net Obligation for Other Postemployment Benefits

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

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Obligation for Bond Arbitrage Rebate

Pursuant to Section 148(f) of the U.S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. The County uses the “revenue reduction” approach in accounting for rebatable arbitrage, which treats excess earnings as a reduction of revenue. The County has recorded an arbitrage liability outstanding as of September 30, 2017.

Due to/from Other Funds

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

Net Position/Fund Balances

Net Position is the difference between fund assets and liabilities on the government-wide, proprietary, and fiduciary fund statements. Fund Balances is the difference between assets and liabilities on the governmental fund statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt resulting from the acquisition, construction, or improvement of the assets.

In order to implement GASB Statement No. 54, a County financial policy was written to define the different fund balance classifications for governmental funds and the order that the resources are used. There are five classifications of fund balance for governmental funds.

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position/Fund Balances (continued)

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. Each of these actions is equally binding and as such, remain binding unless removed by a majority vote of the Board of County Commissioners.

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

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

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

Reserves/Designations of Net Position

Net position of the Insurance Service Fund is maintained for anticipated future catastrophic losses pursuant to County policy and GASB Statement No. 10.

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

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

"Total fund balances" of the County's governmental funds of \$115,638,551 differs from "net position" of governmental activities of \$250,556,195 reported in the Statement of Net Position. This difference results primarily from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheet.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

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

Capital Related Items

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

Cost of capital assets	\$ 661,445,419
Accumulated depreciation	<u>(370,171,153)</u>
Net capital assets added	<u>\$ 291,274,266</u>

Long-term Debt Transactions

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as current fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2017 were:

Capital Improvement Revenue Bonds, Series 2012A	\$ (8,267,000)
Taxable Capital Improvement Revenue Bonds, Series 2012B	(12,182,000)
Capital Improvement Revenue Refunding Bonds, Series 2017	(15,851,000)
Unamortized bond premiums	(379,122)
Pension related deferred outflows	66,396,608
Note payable	(382,573)
Liability for compensated absences	(16,515,466)
Net pension liability	(149,008,290)
Other postemployment benefits	(8,755,488)
Arbitrage rebate liability	(25,000)
Pension related deferred inflows	<u>(13,385,747)</u>
	<u>\$ (158,355,078)</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

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

Internal Service Funds

Management uses internal service funds to charge the cost of fleet management and insurance activities to the individual funds benefited, as well as to report the funded and accrued compensated absences for the Clerk only. Because internal service funds primarily serve governmental activities of the County, the assets and liabilities of those funds are included in the governmental activities for government-wide reporting purposes. The total amount of internal service fund assets, net of liabilities, included with governmental activities on the September 30, 2017, Statement of Net Position is \$1,998,456.

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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

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

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions
Assets and Deferred Outflows			
Assets:			
Equity in pooled cash and equivalents	\$ 20,468,131	\$ 0	\$ 0
Investments	94,619,159	0	0
Receivables (net)	24,403,870	0	0
Due from other funds	1,793,047	0	0
Inventories	693,638	0	0
Other assets	426,369	0	0
Capital assets (net)	0	291,274,266	0
Total assets	<u>142,404,214</u>	<u>291,274,266</u>	<u>0</u>
Deferred Outflows:			
Pension related deferred outflows	0	0	66,396,608
Total deferred outflows	<u>0</u>	<u>0</u>	<u>66,396,608</u>
Total assets and deferred outflows	<u>142,404,214</u>	<u>291,274,266</u>	<u>66,396,608</u>
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable	\$ 9,526,044	\$ 0	\$ 0
Accrued liabilities	5,516,939	0	0
Intergovernmental payables	2,638,172	0	0
Internal balance	0	0	0
Estimated liability for self-insurance loss	0	0	0
Due to other funds	1,793,047	0	0
Deposits	544,556	0	0
Arbitrage rebate	0	0	25,000
Unearned revenue	5,818,031	0	0
Unamortized premium on bonds payable	0	0	379,122
Net pension liability	0	0	149,008,290
Other postemployment benefits	0	0	8,755,488
Accrued compensated balances	0	0	16,515,466
Bond and notes payable (net)	0	0	36,682,573
Total liabilities	<u>25,836,789</u>	<u>0</u>	<u>211,365,939</u>
Deferred Inflows:			
Deferred special assessments	928,874	0	0
Pension related deferred inflows	0	0	13,385,747
Total deferred inflows	<u>928,874</u>	<u>0</u>	<u>13,385,747</u>
Fund balance/net position	<u>115,638,551</u>	<u>291,274,266</u>	<u>(158,355,078)</u>
Total liabilities, deferred inflows, and fund balances/net position	<u>\$ 142,404,214</u>	<u>\$ 291,274,266</u>	<u>\$ 66,396,608</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

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

<u>Internal Service Funds</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Net Position</u>
\$ 926,764	\$ 0	\$ 21,394,895
6,606,530	0	101,225,689
232,662	0	24,636,532
0	(1,793,047)	0
39,710	0	733,348
0	0	426,369
0	0	291,274,266
<u>7,805,666</u>	<u>(1,793,047)</u>	<u>439,691,099</u>
0	0	66,396,608
0	0	66,396,608
<u>7,805,666</u>	<u>(1,793,047)</u>	<u>506,087,707</u>
\$ 191,013	\$ 5,528,885	\$ 15,245,942
11,946	(5,528,885)	0
0	0	2,638,172
468,984	0	468,984
4,451,773	0	4,451,773
0	(1,793,047)	0
0	0	544,556
0	0	25,000
0	0	5,818,031
0	0	379,122
0	0	149,008,290
50,024	0	8,805,512
633,470	0	17,148,936
0	0	36,682,573
<u>5,807,210</u>	<u>(1,793,047)</u>	<u>241,216,891</u>
0	0	928,874
0	0	13,385,747
0	0	14,314,621
<u>1,998,456</u>	<u>0</u>	<u>250,556,195</u>
<u>\$ 7,805,666</u>	<u>\$ (1,793,047)</u>	<u>\$ 506,087,707</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

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

The “net change in fund balances” for governmental funds of (\$2,856,159) differs from the “change in net position” for governmental activities of \$(19,005,620), reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities, versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Related Items

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

Capital outlay	\$ 8,910,906
Depreciation expense	<u>(20,780,937)</u>
Net	<u>\$ (11,870,031)</u>

Long-term Debt Transactions

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

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

Bond proceeds	\$ (15,991,000)
Payments of bond principal	<u>23,600,077</u>
Net	<u>\$ 7,609,077</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

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

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Amortization of current year bond discount/premium	\$ 47,390
Amortization of current year deferred outflow on refunding	(256,750)
Net increase in compensated absences	(797,214)
Net change in net pension liability	10,347,988
Net increase in other postemployment benefits	<u>(906,065)</u>
	<u>\$ 8,435,349</u>

Internal Service Funds Aggregate Loss

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

Internal service funds aggregate loss on governmental activities	<u>\$ 372,120</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Compensated Absences
Revenues:				
Taxes	\$ 159,762,897	\$ 0	\$ 0	\$ 0
Licenses and permits	3,123,753	0	0	0
Intergovernmental	43,163,422	0	0	0
Charges for services	36,073,920	0	0	0
Fines and forfeitures	732,590	0	0	0
Interest	1,877,742	0	0	0
Net increase (decrease) in fair value of investments	(805,442)	0	0	0
Miscellaneous	3,904,892	0	0	0
Total revenues	<u>247,833,774</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
General government	51,011,416	1,535,369	0	(191,145)
Public safety	107,972,213	1,342,210	0	904,031
Physical environment	12,526,527	(1,609,109)	0	41,147
Transportation	20,346,821	9,293,034	0	40,807
Economic environment	7,145,607	0	0	(6,000)
Human services	10,112,240	119,798	0	(18,574)
Culture and recreation	15,645,861	1,188,729	0	10,743
Judicial	17,095,596	0	0	16,205
Debt service:				
Principal retirement	7,609,077	0	(7,609,077)	0
Interest and fiscal charges	803,817	0	323,594	0
Other debt service costs	57,691	0	(57,691)	0
Total expenditures	<u>250,326,866</u>	<u>11,870,031</u>	<u>(7,343,174)</u>	<u>797,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,493,092)</u>	<u>(11,870,031)</u>	<u>7,343,174</u>	<u>(797,214)</u>
Other financing sources (uses)				
Transfers in	101,852,199	0	0	0
Refunding bonds issued	15,991,002	0	(15,991,002)	0
Transfers out	(102,158,723)	0	0	0
Payment to refunding bond escrow agent	<u>(16,047,545)</u>	<u>0</u>	<u>16,047,545</u>	<u>0</u>
Total other financing sources (uses)	<u>(363,067)</u>	<u>0</u>	<u>56,543</u>	<u>0</u>
Net change in fund balance	<u>(2,856,159)</u>	<u>(11,870,031)</u>	<u>7,399,717</u>	<u>(797,214)</u>
Fund balances, October 1	<u>118,494,710</u>			
Fund balances, September 30	<u>\$ 115,638,551</u>			

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

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

Net Pension Liability	Other Postemployment Benefits	Internal Service Funds	Reclassifications and Eliminations	Statement of Activities
\$ 0	\$ 0	\$ 0	\$ 0	\$ 159,762,897
0	0	0	(3,123,753)	0
0	0	0	(2,370,672)	40,792,750
0	0	0	6,226,315	42,300,235
0	0	0	(732,590)	0
0	0	0	(805,442)	1,072,300
0	0	0	805,442	0
0	0	0	696	3,905,588
0	0	0	(4)	247,833,770
1,842,978	222,274	(273,678)	0	54,147,214
4,453,775	434,211	(54,966)	0	115,051,474
619,842	49,474	(7,283)	0	11,620,598
1,116,548	61,360	(10,276)	0	30,848,294
248,352	9,310	(752)	0	7,396,517
414,954	10,661	513	0	10,639,592
791,631	53,949	(4,750)	0	17,686,163
859,908	64,826	(20,932)	0	18,015,603
0	0	0	0	0
0	0	0	0	1,127,411
0	0	0	0	0
10,347,988	906,065	(372,124)	0	266,532,866
(10,347,988)	(906,065)	372,124	(4)	(18,699,096)
0	0	0	0	101,852,199
0	0	0	0	0
0	0	0	0	(102,158,723)
0	0	0	0	0
0	0	0	0	(306,524)
(10,347,988)	(906,065)	372,124	(4)	(19,005,620)
				269,561,815
				\$ 250,556,195

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

Budgets and Budgetary Accounting (continued)

4. The County shall require such changes to be made as it shall deem necessary, provided the budget remains in balance and subject to the notice and public hearing requirements of Section 200.065, *Florida Statutes*, and the budget preparation and adoption procedures, as defined in Section 129.03, *Florida Statutes*.
5. Following the successful completion of the above referenced public hearings, the County advertises and subsequently conducts a second public hearing to finally adopt a millage rate and budget for each of the taxing entities under their jurisdiction. These public hearings are ordinarily held prior to October 1, of each year. If, however for some reason the County is unable to finally adopt a budget prior to October 1, state law permits the readoption by resolution of the budget of the preceding year as an interim measure. In its effort to get as much citizen input as possible, the County holds a third public hearing prior to the adoption of a tentative millage rate.
6. Pursuant to the provisions of Section 129.07, *Florida Statutes*, the Board of County Commissioners is prohibited from expending or contracting for the expenditure of any amount in excess of the total amount budgeted in any fund. It is, however, legally permissible at the present time for the budgets of individual departments included within a particular fund to be overexpended in total without requiring mandatory action by either the Board of County Commissioners, the Clerk of the Circuit Court and Comptroller (as Clerk to the Board of County Commissioners and finance officer), or the County Administrator (as budget officer). Transfers of appropriate amounts between funds require approval of the Board of County Commissioners.
7. Adoption and execution of the budgets of the Clerk of the Circuit Court and Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector are governed by applicable provisions of the *Florida Statutes*. Budgets for the Courts for each Clerk will be submitted by June 1 to be approved by the legislature. All court revenues will be collected monthly and available for use by the Clerks in the month following collection. By the 10th day of the each month, the Clerks will submit that portion of all fines, fees, service charges, and costs collected in the previous month that exceeds one twelfth of the Clerks' total budget. The remainder of the available revenues will be appropriated for the following month's court expenditures up to the budget cap authorized by the legislature. Any revenue deficits will be certified by the Florida Clerk of the Court Operations Corporation. Any unexpended appropriation for the court's budget will be paid to the State by January 25 of the following year.
8. Formal budgetary integration at the object level is used as a management control device for all governmental funds of the County for which annual budgets are adopted, including the General, Special Revenue, Debt Service, and Capital Projects funds. Proforma project length budgets are provided to the County for certain Capital Projects for informational purposes only. The level at which expenditures may not legally exceed appropriations is the fund level.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note IV. CASH AND INVESTMENTS

As of September 30, 2017, the value of the County's deposits and investments, with their respective credit ratings, was as follows:

	Fair Value	Credit Rating	Duration
Deposits in Qualified Public Depositories	\$ 28,828,341	N/A	N/A
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	51,128,476	A+f	2.89
Florida Local Government Investment Trust Government Fund (FLGIT)	5,878	AAAf	1.74
Florida PRIME Investment Pool	113,973	AAAm	0.22
Florida Safe Investment Pool	1,179,913	AAAm	N/A
Externally Managed Portfolio:			
Money Market	14,801	AAA	N/A
U.S. Treasuries	24,753,143	AA+	2.41
Government Sponsored Agencies:			
Federal Home Loan Bank	5,593,663	AA+	1.77
Federal National Mortgage Association	7,577,607	AA+	1.67
Other Government Sponsored Agencies	7,048,868	AA+	1.58
Mortgage Backed Securities	564,317	AA+	1.30
Collateralized Mortgage Obligations	700,279	AA+	0.98
Corporate Bonds	8,523,397	A-	1.25
Corporate Bonds	4,737,994	AA-	1.49
Corporate Bonds	578,932	BBB+	0.31
Asset-backed Securities	5,722,565	AAA	0.90
Total Cash and Investments	<u>\$ 147,072,147</u>		

The County's deposits and investments include \$300,814 accrued interest as of September 30, 2017.

Credit Risk

The County Investment Policy provides a structure for the portfolio that is designed to minimize credit risk. The majority of the securities held will be those of the highest available credit quality ratings. These would include government pools, U. S. Government (AAA) securities, and commercial paper. Staff will notify the Investment Oversight Committee (IOC) at any time holdings drop below the minimum credit ratings specified in the policy.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note IV. CASH AND INVESTMENTS (continued)

The IOC will consider the market environment and make recommendations to hold and continue to monitor the investments or liquidate the investments. To further limit the County's risk against possible credit losses, a maximum of 3% of the total portfolio managed by the County's external manager may be held at any one time in all securities of any corporate entity, inclusive of commercial paper, medium term notes, or corporate notes and bonds. The policy provides that 45% of the external portfolio may be invested in Federal instrumentalities, with a limit of 15% of the portfolio in any one issuer. Credit-quality risk identified with S&P ratings or Moody equivalents, is provided in the preceding table. Deposits not exposed to credit quality risk, as defined by GASB Statement No. 40, are designated as "NA" in the credit rating column.

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

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

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

The County Investment Policy limits credit risk by restricting authorized investments to the following: Florida Prime (Florida PRIME), State of Florida Special Purpose Investment Account (SPIA), 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).

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note IV. CASH AND INVESTMENTS (continued)

The Chief Financial Officer for the State of Florida (formerly the State Treasurer) has been investing state revenues, excess revenues of state universities and community colleges, and certain other public agencies in a commingled investment portfolio for several years. This program is authorized under Section 17.61(1), *Florida Statutes* and is called the Treasury Special Purpose Investment Account (SPIA). Historically, SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality. The financial details and disclosures for the Treasury Investment Pool are made in Note 2 to the State of Florida Comprehensive Annual Financial Report (CAFR). The rating as of September 30, 2017 was A+f. A copy of SPIA's most recent financial statements can be found at <http://www.myfloridacfo.com/Division/Treasury/Reports/AnnualReports>. Investments in this pool are limited to a maximum of 100% of the portfolio. At September 30, 2017, the County had \$51,128,476 with SPIA.

The FLGIT is a local government investment pool created by the Florida Court Clerks and Comptrollers, and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At year end, the FLGIT was invested in money markets, treasury notes, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAAf by Standard & Poor's. A copy of FLGIT's most recent financial statements can be found at <http://www.floridatrusionline.com/about>. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2017, the County had \$5,878 with FLGIT.

The County also invests in Florida PRIME administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2017, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Investments in this pool are limited to a maximum of 15% of the portfolio. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAM by Standard and Poors. The weighted average of days to maturity of the Florida PRIME at September 30, 2017 is 51 days. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2017, the County had \$113,973 invested in Florida PRIME. Florida PRIME's most recent financial statements can be found at <https://www.sbafla.com/prime/Audits/tabid/582/Default.aspx>.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note IV. CASH AND INVESTMENTS (continued)

The County also invests in the Florida Surplus Asset Fund Trust (FLSAFE), a local government investment pool governed by Section 218.415, *Florida Statutes*, that provides for pooling of Florida's local government funds. FLSAFE is an external investment pool that is not a registrant with the SEC; however, the FLSAFE has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. FLSAFE is managed by Davidson Fixed Income Management, Inc. (DFIM), a registered investment advisor, and the trust's investments are held in custody by U.S. Bank. Oversight for the pool is provided by a Board of Trustees consisting of members who represent participating local government entities. The trust invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly-rated commercial paper, money market funds, and deposits held in qualified public depositories. The current rating for the FLSAFE is AAAM by Standard and Poors. The weighted average days to maturity of the FLSAFE at September 30, 2017, is 25 days. Investments in the FLSAFE are not evidenced by securities that exist in physical or book entry form. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2017, the County had \$1,179,913 invested with the FLSAFE. A copy of FLSAFE's most recent financial statements can be found at: http://www.flSAFE.org/financial_statements.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 it may not be able to recover the value of its investments that are in the possession of an outside party.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. The County's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2017, were \$34,883,107. Due to the nature of the County's cash and investments, there is no exposure to custodial credit risk and concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The County manages interest rate risk by setting the range of duration for the County's portfolio as 0.5 years to 2.5 years. 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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note IV. CASH AND INVESTMENTS (continued)

The externally managed portfolio totaled \$65,815,566 at September 30, 2017, and was invested for a weighted average term of 867 days, as compared to a weighted average term of 797 days in fiscal year 2016. In accordance with its investment policy, the County requires a minimum balance of short-term investments. To meet the day-to-day operating needs of the County and to provide the ready cash to meet unforeseen temporary cash requirements, a liquidity base of approximately at least two months of anticipated disbursements is kept in relatively short term investments. This includes investments in government pools with daily liquidity such as Florida PRIME or money markets. The County 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. FRS's investment policy and exposure to foreign currency risk is disclosed in Note 2 of the State of Florida Comprehensive Annual Financial Report. A copy of this report is available at <https://www.myfloridacfo.com/Division/AA/Reports/>.

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 the Florida Trust 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, 2017 was 0.9975. 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.

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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note IV. CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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, 2017:

	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	\$ 5,722,565	\$ 0	\$ 5,722,565
Corporatate Bonds and Notes	0	13,840,323	0	13,840,323
US Agencies	0	20,220,138	0	20,220,138
US Government Obligations	24,767,944	0	0	24,767,944
Asset Backed Security (Mortgage Backed) - US				
Agency Sponsored	0	564,317	0	564,317
Collateralized Mortgage Obligations	0	700,279	0	700,279
Investments at fair value	<u>\$ 24,767,944</u>	<u>\$41,047,622</u>	<u>\$ 0</u>	<u>\$65,815,566</u>

Note V. PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal, special taxing districts, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of Florida regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit counties to levy property taxes at a rate of up to 10 mills. The tax levy of Leon County is established by the County prior to October 1 of each year. The millage rate collected by the County during the current fiscal year was 8.3144 mills. County citizens were also assessed for Emergency Medical Services (EMS) and primary health care services through Municipal Services Taxing Units at a millage rate of 0.5000 mills. For County citizens charged a special assessment, the required annual payment is also included on their tax bill.

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note V. PROPERTY TAXES (continued)

All taxes are due and payable on November 1st of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. No accrual for the property tax levy becoming due in November 2017 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, 2017.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note VI. CAPITAL ASSETS

A. Capital asset activity for the year ended September 30, 2017 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,891,310	\$ 0	\$ 0	\$ 20,891,310
Improvements other than buildings	31,411,015	894,738	0	32,305,753
Construction/Purchase in progress	6,960,944	2,031,999	(1,146,952)	7,845,991
Total not being depreciated	<u>59,263,269</u>	<u>2,926,737</u>	<u>(1,146,952)</u>	<u>61,043,054</u>
Capital assets being depreciated:				
Buildings	221,571,318	0	0	221,571,318
Equipment	53,558,862	4,054,775	(2,711,152)	54,902,485
Library collection	3,366,077	689,598	(749,161)	3,306,514
Infrastructure	317,684,167	1,460,088	(75,000)	319,069,255
Leasehold improvement	0	1,552,793	0	1,552,793
Total being depreciated	<u>596,180,424</u>	<u>7,757,254</u>	<u>(3,535,313)</u>	<u>600,402,365</u>
Less accumulated depreciation:				
Buildings	(102,965,133)	(6,818,788)	0	(109,783,921)
Equipment	(33,809,706)	(3,805,797)	2,127,919	(35,487,584)
Library collection	(2,051,358)	(661,302)	749,161	(1,963,499)
Infrastructure	(213,473,199)	(9,339,771)	32,100	(222,780,870)
Leasehold improvement	0	(155,279)	0	(155,279)
Total accumulated depreciation	<u>(352,299,396)</u>	<u>20,780,937</u>	<u>2,909,180</u>	<u>(370,171,153)</u>
Total being depreciated, net	<u>243,881,028</u>	<u>13,023,683</u>	<u>(626,133)</u>	<u>230,231,212</u>
Governmental activities capital assets, net	<u>\$ 303,144,297</u>	<u>\$ 10,096,946</u>	<u>\$ (1,773,085)</u>	<u>\$ 291,274,266</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,809,844	\$ 0	\$ 0	\$ 1,809,844
Total not being depreciated	<u>1,809,844</u>	<u>0</u>	<u>0</u>	<u>1,809,844</u>
Capital assets being depreciated:				
Buildings	20,198,294	138,816	0	20,337,110
Equipment	5,386,717	841,569	(693,358)	5,534,928
Total being depreciated	<u>25,585,011</u>	<u>980,385</u>	<u>(693,358)</u>	<u>25,872,038</u>
Less accumulated depreciation:				
Buildings	(13,297,678)	(609,538)	0	(13,907,216)
Equipment	(2,916,234)	(340,098)	271,389	(2,984,943)
Total accumulated depreciation	<u>(16,213,912)</u>	<u>(949,636)</u>	<u>271,389</u>	<u>(16,892,159)</u>
Total being depreciated, net	<u>9,371,099</u>	<u>30,749</u>	<u>(421,969)</u>	<u>8,979,879</u>
Business-type activities capital assets, net	<u>\$ 11,180,943</u>	<u>\$ 30,749</u>	<u>\$ (421,969)</u>	<u>\$ 10,789,723</u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2017

Note VI. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 5,522,754
Public safety	2,003,121
Physical environment	698,230
Transportation	9,788,934
Human services	192,227
Culture and recreation	<u>2,575,671</u>
Total depreciation expense - governmental activities	<u><u>\$20,780,937</u></u>

Business-type activities:

Landfill	<u>\$ 949,636</u>
Total depreciation expense - business-type activities	<u><u>\$ 949,636</u></u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note VII. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Balances as of September 30, 2017, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government:		
By Major Fund:		
General	\$ 1,109,739	\$ 1,385,615
Fine & Forfeiture	451,908	0
Grants	29,789	16,190
Total Major Funds	<u>1,591,436</u>	<u>1,401,805</u>
Nonmajor Special Revenue Funds:		
Family Law Legal Services	0	5,207
911 Emergency Communications	106,996	0
Special Grants Fund	0	177,666
Emergency Management 911 Fees	49,882	28,543
Emergency Management Grant	43,964	139,108
Inmate Welfare Fund	769	0
Records Modernization Fund	0	40,718
Total Nonmajor Special Revenue Funds	<u>201,611</u>	<u>391,242</u>
Total Governmental Funds	<u>\$ 1,793,047</u>	<u>\$ 1,793,047</u>

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

B. Interfund Transfers represent the movement of cash for operations in funds and constitutional officers. At year end, the balances for the year ended September 30, 2017, consisted of the following:

Transfers to the General Fund from:	
Fine & Forfeiture Fund	\$ 71,923,559
Fire Rescue Services Fund	38,399
Special Assessment Paving Fund	178,349
Nonmajor Governmental Funds	748,101
Enterprise Fund	117,146
Internal Service Fund	25,000
Total Transfers to the General Fund	<u>73,030,554</u>
Transfers to the Fine & Forfeiture Fund from:	
General Fund	<u>419,320</u>
Total Transfers to the Fine & Forfeiture Fund	<u>419,320</u>
Transfers to the Grants Fund from:	
Nonmajor Governmental Funds	<u>17,352</u>
Total Transfers to Grants Fund	<u>17,352</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 Capital Improvement Fund from:	
General Fund	2,025,284
Nonmajor Governmental Funds	<u>2,802,128</u>
Total Transfers to the Capital Improvement Fund	<u>4,827,412</u>
Transfers to the Nonmajor Funds from:	
General Fund	15,654,176
Grants Fund	16,190
Nonmajor Governmental Funds	<u>6,662,736</u>
Total Transfers to the Nonmajor Funds	<u>22,333,102</u>
Total Transfers to the Governmental Funds	<u>101,852,199</u>
Transfers to the Enterprise Fund from:	
General Fund	<u>448,670</u>
Total Transfers to Enterprise Funds	<u>448,670</u>
Total Interfund Transfers	<u>\$ 102,300,869</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note VIII. LONG-TERM OBLIGATIONS

A. Long-term Obligations

The County has no general long-term obligations debt. The County's long-term obligations, excluding accrued compensated absences, at September 30, 2017, are comprised of the following:

	Outstanding at September 30, 2017
Revenue Bonds:	
\$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.	\$ 8,267,000
\$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.	12,182,000

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note VIII. LONG-TERM OBLIGATIONS (continued)

**Outstanding at
September 30,
2017**

Revenue Bonds:

\$15,991,000,000 Capital Improvement Revenue Refunding Bonds, Series 2017, (i) refund a portion of the Capital Improvement Revenue Bonds, Series 2014 of which \$15,951,000 was currently outstanding and maturing in the years 2021 through 2025, and (ii) pay issuance costs on the Series 2017 bonds. The economic gain resulting from the refunding was \$489,076. The bonds dated June 22, 2017 and bear interest of 2.11% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2017. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2025.

15,851,000

The Capital Improvement Revenue Bonds, Series 2012A, the Capital Improvement Revenue Refunding Bonds, Series 2017, 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 Obligation

\$ 36,300,000

Notes Payable:

Notes payable is comprised of the following at September 30, 2017:

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.

\$ 382,573

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note VIII. LONG-TERM OBLIGATIONS (continued)

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

Special Revenue Bonds and Notes Payable			
Fiscal Year Ending September 30,	Principal	Interest	Total
2018	\$ 7,209,571	\$ 843,245	\$ 8,052,816
2019	6,982,002	589,918	7,571,920
2020	7,127,000	442,535	7,569,535
2021	2,944,000	324,180	3,268,180
2022	3,008,000	262,062	3,270,062
2023-2027	9,412,000	399,929	9,811,929
Total	<u>\$ 36,682,573</u>	<u>\$ 2,861,869</u>	<u>\$ 39,544,442</u>

C. 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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note VIII. LONG-TERM OBLIGATIONS (continued)

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

	Balance October 1, 2016	Reductions	Additions	Balance September 30, 2017	Due Within One Year
Governmental Activities:					
Capital Improvement Revenue					
Bonds, Series 2012A	\$ 8,267,000	\$ 0	\$ 0	\$ 8,267,000	\$ 0
Capital Improvement Revenue Refunding					
Bonds, Series 2012B	12,351,000	(169,000)	0	12,182,000	6,668,000
Taxable Capital Improvement					
Revenue Bonds, Series 2014	15,951,002	(15,951,002)	0	0	0
Capital Improvement Revenue Refunding					
Bonds, Series 2017	0	(140,000)	15,991,000	15,851,000	159,000
Capital Improvement Refunding Revenue					
Bonds, Series 2015	6,886,000	(6,886,000)	0	0	0
Unamortized Premium on Bonds Payable	426,512	(47,390)	0	379,122	0
Total Special Revenue Debt	43,881,514	(23,193,392)	15,991,000	36,679,122	6,827,000
Liability for compensated					
absences	16,332,074	(7,317,326)	8,134,187	17,148,935	5,076,491
Pension benefit	141,148,925	(11,980,356)	19,839,721	149,008,290	0
Other postemployment benefits	7,894,334	(322,392)	1,233,570	8,805,512	0
Arbitrage rebate liability	25,000	0	0	25,000	0
Bank of America - Notes payable	836,648	(454,075)	0	382,573	382,571
Governmental Activity Long-term Debt	<u>\$ 210,118,495</u>	<u>\$ (43,267,541)</u>	<u>\$ 45,198,478</u>	<u>\$ 212,049,432</u>	<u>\$ 12,286,062</u>

	Balance October 1, 2016	Reductions	Additions	Balance September 30, 2017	Due Within One Year
Business-type activities:					
Liabilities for compensated absences	\$ 167,009	\$ (65,121)	\$ 77,241	\$ 179,129	\$ 61,298
Other postemployment benefits	126,552	(7,350)	17,862	137,064	0
Landfill closure and postclosure costs	13,789,224	0	208,074	13,997,298	375,325
Business-type activity Long-term liabilities	<u>\$ 14,082,785</u>	<u>\$ (72,471)</u>	<u>\$ 303,177</u>	<u>\$ 14,313,491</u>	<u>\$ 436,623</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note VIII. LONG-TERM OBLIGATIONS (continued)

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

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

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

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note VIII. LONG-TERM OBLIGATIONS (continued)

H. Conduit Debt Obligations - From time to time, the County has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of health care and industrial facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2017, the unaudited conduit debts outstanding were as follows:

Project Description	Fiscal Year Issued	Original Bond Issue	Principal Outstanding @ 9/30/2017
Holy Comforter Episcopal School	2002	\$ 4,400,000	\$ 2,486,741
Apalachee Center, Inc.	2008	8,500,000	5,666,700
Goodwill Industries - Big Bend, Inc.	2009	2,400,000	1,737,133
Educational Facilities Authority			
Refunding Series 1998A	1998	12,000,000	7,240,000
Refunding Series 1998B	1998	20,500,000	20,500,000
Student Housing Revenue Bonds 2003	2008	23,315,000	<u>17,895,000</u>
Total Conduit Debt Principal Balance as of September 30, 2017			<u><u>\$ 55,525,574</u></u>

Defeased Conduit Debt

Educational Facilities Authority	2002	\$20,485,000	<u><u>\$ 1,145,000</u></u>

I. Debt Parity

The Capital Improvement Revenue Bonds, Series 2012A and 2012B, and the Capital Improvement Revenue Refunding Bonds, Series 2014, 2015, and 2017, represent junior lien parity bonds payable from and secured by a lien upon certain non-ad valorem revenue. The pledged revenues include the Local Government Half-Cent Sales tax, guaranteed entitlement, second guaranteed entitlement, and 50% of the additional state revenue funds received in the prior fiscal year

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note VIII. LONG-TERM OBLIGATIONS (continued)

	<u>Actual 2014</u>	<u>Actual 2015</u>	<u>Actual 2016</u>	<u>Actual 2017</u>
Pledged revenues:				
Revenues available for debt service:				
Local Government Half-Cent Sales Tax	\$11,326,967	\$11,863,075	\$12,176,999	\$12,414,836
Guaranteed entitlement	316,798	316,798	316,798	316,798
Second guaranteed entitlement	1,026,649	1,026,649	1,026,649	1,026,649
Additional state revenue sharing funds	933,969	1,064,344	1,304,581	1,318,646
Total revenues available for debt service	<u>\$13,604,383</u>	<u>\$14,270,866</u>	<u>\$14,825,027</u>	<u>\$15,076,929</u>
Combined maximum annual debt service for debt (Series 2015, Series 2017, Series 2014, Series 2012A, and Series 2012B)	\$ 8,469,155	\$ 8,385,209	\$ 8,077,654	\$ 8,066,500
Debt service coverage	1.61x	1.70x	1.84x	1.87x

Note IX. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the County to place a final cover on each of its landfill cells when it stops accepting waste and to perform certain maintenance and monitoring functions on each cell for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$13,621,973 reported as landfill closure and post-closure care liability at September 30, 2017, 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 2017 on those cells placed in use. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The landfill is no longer accepting Class I waste, however it is still accepting residuals from a Class III materials recovery facility and recovered screened materials. Since the landfill is permitted as a single permit, until the entire landfill is closed, the County cannot begin to perform closure and post-closure care.

The County is required by state and federal laws to make annual contributions to an escrow account to finance a minimum of all closure costs and at least one year of post-closure costs. The County is in compliance with those minimum requirements, and at September 30, 2017, held investments in the amount of \$9,917,987 for these purposes that are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined; these costs may need to be covered by charges to future landfill users or from future tax revenue.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note IX. CLOSURE AND POSTCLOSURE CARE COST (continued)

Net income of the landfill fund is accumulated in a reserve for rate stabilization. The fund reported a reserve balance of \$13,738,673 at September 30, 2017. The intent of this reserve is to allow for consistent usage fee charges, construction or acquisition of landfill assets and accumulation of closure and post-closure costs. Because funding for closure and post-closure costs associated with unused capacity of landfill cells is to be derived from future usage fees, the rate stabilization reserve does not represent liquid assets available for that purpose.

Note X. EMPLOYEE BENEFITS

A. Florida Retirement System

Plan Description - The County contributes to the FRS, a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides retirement, disability or death benefits to retirees or their designated beneficiaries along with an annual cost-of-living adjustment. Employees are classified in either the regular service class or the senior management service class. Currently, the active participants in the pension plan for Leon County are 1,303 out of a total of 520,014 active FRS participants.

The Florida Legislature created the Florida Retirement Investment Plan (the "Investment Plan"), a defined contribution plan qualified under Section 401 (a) of the Internal Revenue Code. The Investment Plan is administered by the Department of Management Services and is an alternative available to members of the Florida Retirement System in lieu of participation in the defined benefit retirement plan ("the Pension Plan"). If the Investment Plan is elected, active membership in the Pension Plan is terminated. Eligible members of the Investment Plan are vested at one year of service and receive a contribution in an investment product with a third party administrator selected by the State Board of Administration.

Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions and contribution requirements. Changes to the law can only occur through an act of the Florida Legislature. There are uniform contribution rates as discussed on the following page that cover both the defined benefit and defined contribution plans. Information for the required employer contributions made to the Investment Plan were unavailable from FRS.

Additional Financial and Actuarial Information - Additional audited financial information supporting the Schedules of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the Florida Comprehensive Annual Financial Report (CAFR) and in the Florida Retirement System Pension Plan, and Other State-Administered Systems CAFR.

See <http://www.myfloridacfo.com/Division/AA/Reports/default.htm> for an available copy of the Florida CAFR online.

The FRS CAFR and actuarial valuation reports as of July 1, 2017 are available online at http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

Reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P.O.Box 9000
Tallahassee, Florida 32315-900
850-488-4706 or toll free at 877-377-1737

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

The FRS relies upon contributions from employees and employers, along with investment income, to meet the funding requirements of an actuarially determined accrued liability. As of July 1, 2017, the date of the latest valuation, the FRS' funded ratio was 84.30% on the valuation funding basis and 86.30% on a Market Value of Assets basis.

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

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program ("DROP"). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. DROP benefits are held in the FRS Trust Fund and accrue interest.

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, 2017, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2017, 2016, and 2015 were \$13,011,393, \$12,542,629, and \$11,515,094, respectively, which is equal to 100% of the required contribution for each year.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

The rates for 2017 and 2016 fiscal years were as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2016	July 1, 2017
Regular Class	For employees in the FRS as of June 30, 2011, normal retirement at age 62 or at least 30 years of service: 1.60% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	7.52 %	7.92 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 1.6% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		
Senior Management Class	For employees in the FRS as of June 30, 2011, normal retirement at seven years and age 62: 2.00% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	21.77 %	22.71 %
Special Risk (sworn employees)	For employees in the FRS as of June 30, 2011, normal retirement at age 55, or 25 years of special risk service: 2% to 3% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	22.57 %	23.27 %
Elected County Officers' Class (ESCOC)-Nonjudicial	For employees in the FRS as of June 30, 2011, normal retirement at eight years ESCOC service and age 62: 3.00% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	42.47 %	45.50 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 3.00% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2016	July 1, 2017
Deferred Retirement Option Program (Drop)	For employees in DROP as of June 30, 2011, retirement benefit paid to DROP where it earns 6.5% interest, tax deferred, for up to five years while the member continues to work. For employees entered in DROP on or after July 1, 2011, retirement benefit paid to DROP where it earns 1.3% interest, tax deferred, for up to five years while the member continues to work.	Available to vested members at normal retirement age or date.	12.99 %	13.26 %

Net Pension Liability - At September 30, 2017, the County reported for its share of the FRS and HIS plans the amount for the net pension liability as shown below:

	FRS	HIS	Total
June 30, 2017	\$119,571,564	\$29,436,726	\$149,008,290
June 30, 2016	\$107,752,931	\$33,395,994	\$141,148,925

The net pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2017 and July 1, 2016 for the net pension liability as of June 30, 2017 and 2016, respectively.

At September 30, 2017, the County reported for its proportionate share of the employer portion for the FRS and HIS net pension liability the percentages below:

	FRS	HIS
June 30, 2017	0.404240284%	0.275303556%
June 30, 2016	0.426742954%	0.286548096%
Decrease in Share for 2017	0.022502670%	0.011244540%

The County's proportionate share of the net pension liability was based on the County's 2016-2017 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members of FRS.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

Actuarial Methods and Assumptions - Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.10%. The plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2017:

- FRS: The long-term expected rate of return was decreased from 7.60% to 7.10%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

The actuarial assumptions that determined the total pension liability as of June 30, 2017, were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Valuation Date	July 1, 2016	July 1, 2017
Measurement date	June 30, 2016	June 30, 2017
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB; details in valuation report	Generational RP-2000 with Projection Scale BB; details in valuation report
Actuarial cost method	Individual Entry Age	Individual Entry Age

Investments - The long-term expected rate of return assumption of 7.10 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.50 percent, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumption of 2.60 percent as adopted in October 2017 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 7.10 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 7.10 percent reported investment return assumption differs from the 7.50 percent investment return assumption chosen by the 2017 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

For reference, the table below contains a summary of Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed Income	18.00%	4.50%	4.40%	4.20%
Global Equity	53.00%	7.80%	6.60%	17.00%
Real Estate (Property)	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	<u>12.00%</u>	<u>6.10%</u>	<u>5.60%</u>	<u>9.70%</u>
Total	<u><u>100.00%</u></u>			
Assumed Inflation - Mean		2.60%		1.90%

(1) As outlined in the FRS Pension Plan's investment policy available from Funds We Manage on the SBA's website at www.sbafla.com.

Sensitivity Analysis - the tables below represent the sensitivity of the net pension liability to changes in the discount rate for Leon County. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate shows as 1.00% higher or 1.00% lower than the current discounted rate at June 30, 2017.

<u>FRS Net Pension Liability</u>		
<u>1% Decrease 6.10%</u>	<u>Current Discount Rate 7.10%</u>	<u>1% Increase 8.10%</u>
<u>\$216,417,309</u>	<u>\$119,571,564</u>	<u>\$39,167,407</u>

<u>HIS Net Pension Liability</u>		
<u>1% Decrease 2.58%</u>	<u>Current Discount Rate 3.58%</u>	<u>1% Increase 4.58%</u>
<u>\$33,591,203</u>	<u>\$29,436,726</u>	<u>\$25,976,277</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

Pension Expense and Deferred Outflows/(Inflows) of Resources - In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes of assumptions or other inputs which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes in proportion and differences between contributions and proportionate share of contributions which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

Employer contributions to the pension plans from employers are not included in collective pension expense; however, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2017, was 6.4 years for FRS and 7.2 years for HIS. The components of collective pension expense reported in the pension allocation schedules for the fiscal year ended June 30, 2017, are presented below for each plan.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

Florida Retirement System

The components of the collective pension expense reported in the pension allocation schedules by the Florida Retirement System for the year ended June 30, 2017 are presented below and are used to calculate Leon County's share of the pension plan for 2017 which is 0.404240284%:

	Total	Expense	Deferred Outflows	Deferred (Inflows)	Amortization Period
Beginning Net Pension Liability at June 30, 2016	\$ 25,250,078,485				
Service Cost	2,073,753,788	2,073,753,788			
Interest on Total Pension Liability	12,484,167,203	12,484,167,203			
Plan Changes	92,185,000	92,185,000			
Experience Assumptions	1,412,462,453	559,891,083	2,714,670,591	(163,854,292)	6.4 Years
	10,398,344,000	1,985,155,323	9,940,742,848		6.4 Years
Employer Contributions	(2,603,246,196)				
Projected Investment Earnings	(10,531,769,432)	(10,531,769,432)			
Member Contributions	(744,839,410)	(744,839,410)			
(Gain)/Loss on Investments	(8,270,147,116)	(1,010,259,943)		(733,049,694)	5.0 Years
Administrative Expense	18,340,257	18,340,257			
Net Pension Liability at June 30, 2017	\$ 29,579,329,032	\$ 4,926,623,869	\$ 12,655,413,439	\$ (896,903,986)	

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

For the fiscal year ended September 30, 2017, the County recognized pension expense of \$20,182,053 for the FRS plan. In addition the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources for the FRS Plan	Deferred Inflows of Resources for the FRS Plan
Differences between expected and actual experience	\$ 10,973,792	\$ (662,365)
Change of assumptions	40,184,487	0
Net difference between projected and actual earnings on FRS Plan investments	0	(2,963,282)
Changes in proportion and differences between County FRS Plan contributions and proportionate share of contributions	6,922,446	(5,708,191)
County FRS Plan contributions subsequent to the measurement date	<u>2,632,435</u>	<u>0</u>
Total	<u>\$ 60,713,160</u>	<u>\$ (9,333,838)</u>

The deferred outflows of resources related to the Pension Plan, totaling \$2,632,435 and resulting from County contributions to the Plan subsequent to the measurement date, will be recognized as a reduction to net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	FRS Net Deferred Outflows
2018	\$6,470,879
2019	16,757,041
2020	12,058,297
2021	2,869,676
2022	7,824,950
Thereafter	2,766,044
Totals	\$48,746,887

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

Health Insurance Subsidy

The components of the collective pension expense reported in the pension allocation schedules for the Florida Retirement System's Health Insurance Subsidy for the year ended June 30, 2017 are presented below and are used for to calculate Leon County's share for 2017 which is 0.275303556%.

	Total	Expense	Deferred Outflows	Deferred (Inflows)	Amortization Period
Beginning Net Pension Liability at June 30, 2016	\$ 11,654,585,746				
Service Cost	304,536,707	304,536,707			
Interest on Total Pension Liability	337,486,406	337,486,406			
Experience Assumptions	(1,073,715,634)	(4,281,429)		(22,263,431)	7.2 Years
Employer Contributions	(529,228,859)	176,781,207	1,502,992,420	(924,588,463)	7.2 Years
Projected Investment Earnings	(4,137,440)	(4,137,440)			
(Gain)/Loss on Investments	2,757,315	2,720,362	5,929,763		5.0 Years
Administrative Expense	177,136	177,136			
Net Pension Liability at June 30, 2017	\$ 10,692,461,377	\$ 813,282,949	\$ 1,508,922,183	(946,851,894)	

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

For the fiscal year ended September 30, 2017, the County recognized pension expense of \$2,186,066 for the HIS plan. In addition the County reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources for the HIS Plan	Deferred Inflows of Resources for the HIS Plan
Differences between expected and actual experience	\$ 0	\$ (61,292)
Change of assumptions	4,137,792	(2,545,425)
Net difference between projected and actual earnings on HIS Plan investments	16,325	0
Changes in proportion and differences between County HIS Plan contributions and proportionate share of contributions	1,178,021	(1,445,192)
County HIS Plan contributions subsequent to the measurement date	<u>351,310</u>	<u>0</u>
Total	<u>\$ 5,683,448</u>	<u>\$ (4,051,909)</u>

The deferred outflows of resources related to the HIS Plan, totaling \$351,310 resulting from County contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported by the County as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	HIS Net Deferred Outflows
2018	\$429,457
2019	426,368
2020	424,885
2021	385,806
2022	157,427
Thereafter	(543,714)
Totals	\$1,280,229

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

B. Deferred Compensation Plan

The County offers their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The County complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Deferred compensation amounts withheld from participating employees' pay are not taxable as current income until withdrawn from the plan. Annual contributions by a participant may not exceed the lesser of \$16,500 or 50% of gross annual compensation. There is an "age 50 catch-up" provision that allows an additional \$5,000 contribution from the year the employee reaches age 50 until the employee terminates employment.

C. Liability for Compensated Absences

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

D. Executive Service Plan

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

E. Post Employment Benefits Other Than Pension Benefits

Plan Description

The County participates and administers an agent multiple-employer plan under which qualified retired employees are permitted to participate in the health and life insurance benefits program (the Program). The health portion of the Program is considered by the County's insurance provider to be community-rated and, therefore, no Other Postemployment Benefit (OPEB) obligation is calculated for healthcare. The Program may be amended by the County's Board of County Commissioners. A stand alone financial report is not issued for the Program.

Funding Policy

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

As described in Note 1, the County consists of elected Constitutional Officers of the County. The annual OPEB obligation of Constitutional Officers is recognized in the county-wide financial statements of the County. The County's OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the County's annual OPEB cost, its actual contributions and changes in the County's net OPEB obligation:

	FY 2017	FY 2016	FY 2015
Normal cost (service cost for one year)	\$ 396,009	\$ 395,518	\$ 395,518
Amortization of unfunded actuarial accrued liability	807,292	696,174	696,174
Interest on normal cost and amortization	48,131	43,668	43,668
Annual required contribution	1,251,432	1,135,360	1,135,360
Interest on net OPEB obligation	320,836	286,037	250,076
Adjustment to annual required contribution	(446,009)	(397,633)	(347,642)
Annual OPEB cost	1,126,259	1,023,764	1,037,794
Contributions made	(204,569)	(153,796)	(138,793)
Increase in net OPEB obligation	921,690	869,968	899,001
Net OPEB obligation at beginning of year	8,020,886	7,150,918	6,251,917
Net OPEB obligation at end of year	<u>\$ 8,942,576</u>	<u>\$ 8,020,886</u>	<u>\$ 7,150,918</u>

The percentage of annual OPEB cost contributed to the plan for fiscal year 2017, 2016, and 2015, was 18.16%, 15.02%, and 13.37%, respectively.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note X. EMPLOYEE BENEFITS (continued)

Funded Status and Funding Progress

As of September 30, 2017, the County's actuarial accrued liability for benefits recognized in the County's financial statements was \$8,942,576, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the plan) was \$90,459,137. The ratio of the County's actuarial accrued liability to the County's covered payroll was 9.89% at September 30, 2017.

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. The Schedule of Funding Progress presents multi-year trend information about the actuarial value of the plan assets relative to the actuarial accrued liability.

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, 2016 actuarial valuation, the projected unit credit method of funding was used. The objective under that method is to fund each participant's benefits under the plan as they would accrue, taking into consideration the plan's benefit allocation formula. Thus, the total benefit value each participant is expected to become entitled to is broken down into units, each associated with a year of past or future credited service. The actuarial assumptions included a 4% rate of return based on the estimated long-term investments that are expected to be used to finance the payment of the benefits. In addition, the actuarial assumptions included a 3% salary growth rate. As stated in the plan description, healthcare costs are not included in the liability; therefore no healthcare cost trend assumption is made. The unfunded actuarial liability is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2017, was 30 years.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES

A. General Liability

Effective December 15, 2012, the County purchased commercial insurance for general liabilities from OneBeacon. Effective December 15, 2016, the County purchased commercial insurance for general liabilities from Travelers. This is a zero-deductible policy.

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

Year	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2017	\$ 285,090	\$ (238,953)	\$ 0	\$ 46,137
September 30, 2016	\$ 9,695	\$ 275,395	\$ 0	\$ 285,090

The claims liability of \$46,137 includes an actuarial valuation for incurred but not yet reported claims of \$40,000.

B. Workers' Compensation

The County's Insurance Service Fund is used to account for insurance activities relating to workers' compensation that is administered by a third-party administrator. Under this program, the County absorbs losses up to a maximum of \$500,000 for each claim. At September 30, 2017, the County had \$102,670 deposited with the third-party administrator for use against future claims. The County purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in the current year or any of the past four years.

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

The claims liability for workers' compensation of \$4,392,594, which includes an actuarial evaluation for incurred but not reported claims of \$2,536,347, is included in other current liabilities and reported in the Internal Service Fund at September 30, 2017. The liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

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

Year	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2017	\$ 3,773,824	\$ 1,624,770	\$ (1,006,000)	\$ 4,392,594
September 30, 2016	\$ 3,665,220	\$ 1,158,604	\$ (1,050,000)	\$ 3,773,824

C. Automobile Liability

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

As a member of the Florida Sheriff's Association, the Sheriff participates in the Sheriffs' Automobile Risk Program for automobile liability insurance. Coverage includes liability for bodily injury and property damage, personal injury protection, auto medical payments, bodily injury for uninsured motorists and physical damage. Coverage for physical damage is also maintained on certain vehicles. The contribution required for the year ended September 30, 2017 was \$193,605.

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

Year	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2017	\$ 25,641	\$ (12,599)	\$ 0	\$ 13,042
September 30, 2016	\$ 4,847	\$ 20,794	\$ 0	\$ 25,641

The claims liability of \$13,042 includes an actuarial valuation for incurred but not reported claims of \$10,000.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

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

D. Professional Liability

The Sheriff is currently a member of the Florida Sheriffs' Association and participates in the Florida Sheriffs' Self-Insurance Fund. The Self-Insurance Fund administers insurance activities related to professional liability and covers compensatory damages (except back pay), employment benefits, punitive damages, attorney fees or costs awarded to a prevailing plaintiff, and all legal fees involved in defense of the Sheriff. The contribution required for the year ended September 30, 2017 was \$471,160.

The limits of the Self-Insurance Fund for the above mentioned damages, fees and defense costs are \$5,000,000 per incident or occurrence; and \$10,000,000 in aggregate for the policy year. Settled claims did not exceed this coverage in the current year.

E. Excess Insurance

In the normal course of jail operations, the Sheriff seeks to limit its exposure to loss for catastrophic medical costs by purchasing insurance under an excess coverage contract. During the year ended September 30, 2017, the Sheriff maintained an excess insurance policy that provides a maximum specific benefit of \$250,000 per covered person, for claims in excess of \$85,000 reported during the annual contract term. The premium required for the year ended September 30, 2017 was \$74,322.

Note XII. SEGMENT INFORMATION - ENTERPRISE FUNDS

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

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Excess of Expenditures Over Appropriation

Certain funds show an excess of expenditures over appropriations. This excess is due to the appropriation and use of fund balance during the fiscal year.

B. Excess of Expenditures Over Revenue in the Budget Column

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (continued)

C. Deficit Fund Balances

There were no funds with deficit fund balances as of September 30, 2017.

D. Minimum Fund Balance Policy

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

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (continued)

E. Fund Balance

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

	General Fund	Major Funds	Other Funds	Total
Nonspendable:				
Inventory	\$ 690,298	\$ 0	\$ 3,340	\$ 693,638
Prepaid assets	407,537	0	18,832	426,369
Total nonspendable	1,097,835	0	22,172	1,120,007
Restricted for:				
Federal and state grants and other purposes	0	986,435	563,385	1,549,820
Major non-transportation related capital projects and facilities	0	24,279,051	0	24,279,051
Debt service	0	0	48,138	48,138
Public improvement revenue bond projects	0	0	21,335,201	21,335,201
Impact fee - road improvements	0	0	363,612	363,612
Enabling legislation	0	0	15,705,698	15,705,698
Total restricted	0	25,265,486	38,016,034	63,281,520
Committed for:				
Minimum reserve requirement	5,199,776	299,566	0	5,499,342
Fire protection services	0	1,494,604	0	1,494,604
Emergency medical services	0	0	7,666,721	7,666,721
Environmental management	0	0	192,632	192,632
Building inspections	0	0	2,631,622	2,631,622
Unincorporated stormwater maintenance	0	0	1,445,058	1,445,058
Unincorporated municipal services	0	0	33,266	33,266
City sewer service distribution	0	0	7,598	7,598
Special assessments paving	0	564,494	0	564,494
Total committed	5,199,776	2,358,664	11,976,897	19,535,337
Assigned for:				
Beginning appropriated fund balance	2,500,000	0	0	2,500,000
Carry-forward appropriations	5,754,963	100,000	200,000	6,054,963
General government	0	0	105,483	105,483
Public safety	0	1,597,543	1,331,099	2,928,642
Total assigned	8,254,963	1,697,543	1,636,582	11,589,088
Unassigned:	20,112,599	0	0	20,112,599
Total Fund Balances	\$34,665,173	\$29,321,693	\$51,651,685	\$115,638,551

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note XIV. COMMITMENTS AND CONTINGENCIES

A. Contract Commitments

Lease Income

On June 2003, the County purchased the Bank of America building. There are several noncancellable operating lease agreements for the rental of its building. The lease agreements provide for monthly rentals, which escalate over the lease terms and expire on various dates. Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2017 are as follows:

Fiscal Year Ending September 30,	Amount
2018	\$ 1,682,975
2019	1,654,428
2020	1,645,571
2021	1,176,363
2022	937,912
Thereafter	967,006
Total minimum payments	<u>\$ 8,064,255</u>

The property being leased is included in the Statement of Net Position Governmental Activities column with a carrying value of \$18,745,881 and depreciation expense of \$473,935 for fiscal year 2017. The facility is carried as a governmental activity because the County purchased the building to provide offices for County staff.

In October 2009, the Board purchased the Lake Jackson Town Center. 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, 2017, are as follows:

Fiscal Year Ending September 30,	Amount
2018	\$ 123,385
2019	96,088
2020	97,138
2021	98,220
2022	99,694
Thereafter	88,093
Total minimum payments	<u>\$ 602,618</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Lease Income (continued)

The property being leased is included in the Statement of Net Position Governmental Activities column under Land and construction in progress with a carrying value of \$4,540,621 for fiscal year 2017. The facility is carried as a governmental activity because the County purchased the building to provide offices for County staff as well as to provide Library services to the community.

Operating Leases

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

Fiscal Year Ending September 30,	Amount
2018	\$ 275,400
2019	280,835
2020	286,308
2021	292,197
2022	298,085
Thereafter	<u>1,225,332</u>
Total minimum payments	<u>\$ 2,658,157</u>

Rental expense for the year ended September 30, 2017 was \$269,964.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

The Tax Collector has entered into noncancellable operating leases as lessee for office space and office equipment. Some of the real property leases contain provisions for four or five-year renewal options, with stated increases or decreases for lease payments. At September 30, 2017, aggregate future minimum payments under non-cancelable operating leases with remaining terms equal to or exceeding one year are as follows:

Fiscal Year Ending September 30,	Amount
2018	\$ 820,084
2019	663,051
2020	651,960
2021	654,753
2022	657,631
2023-2027	2,821,797
2028-2032	2,797,061
Thereafter	419,558
Total minimum payments	<u>\$ 9,485,895</u>

Lease expenditures incurred under operating leases for the year ended September 30, 2017 were \$1,045,967.

The Sheriff is committed to various operating leases for certain office and radio equipment. Operating leases are generally defined as leases that do not transfer benefits and risks of ownership to the lessee. For the year ended September 30, 2017, equipment lease expenses were \$134,091. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

Fiscal Year Ending September 30,	Amount
2018	\$ 31,488
2019	31,425
2020	18,187
2021	2,580
Total minimum payments	<u>\$ 83,680</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2017

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

The Clerk leases office equipment and building space under operating leases expiring in various years through 2023. Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2017, for each of the next five years and in the aggregate are as follows:

Fiscal Year Ending September 30,	Amount
2018	\$ 88,368
2019	61,500
2020	61,500
2021	61,500
2022	61,500
Thereafter	46,125
Total minimum payments	<u>\$ 380,493</u>

Rent expense paid during the fiscal year ended September 30, 2017 was \$86,684.

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

Grants

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

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2017

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Long-Term Construction Projects

The County is committed to various material long-term construction projects at September 30, 2017. These commitments have been included in the 2016-2017 fiscal year budget and the five-year Capital Improvement Program and certain amounts have been reserved in the capital projects fund. There were no current contracts outstanding as of the report date as compared to \$2.9 million at September 30, 2016.

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

B. Potential Liabilities Resulting from Litigation

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

C. Subsequent Events

As of September 30, 2017 the Board estimated a liability for the closure and post closure costs of the Leon County Solid Waste Landfill (the Landfill) of approximately \$14,000,000 based on estimates provided by an independent professional engineer. The portion of this liability applicable to the closure cost of the Landfill was approximately \$9,500,000. Subsequently, in April 2018, the Board awarded the bid for the Landfill closure project in the amount of approximately \$13,000,000. The Landfill closure operation is anticipated to commence in May 2018 and to end in May 2020.

The County has evaluated subsequent events through April 27, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Leon County, Florida

Proportionate Share of Net Pension Liability

Florida Retirement System Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Leon County's proportion of the net pension liability	0.404240284%	0.426742954%	0.381103706%	0.373806519%	0.387480733%
Leon County's proportionate share of the net pension liability	\$ 119,571,564	\$ 107,752,931	\$ 49,224,656	\$ 22,807,695	\$ 66,702,680
Leon County's covered-employee payroll	\$ 90,459,137	\$ 84,749,884	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Leon County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	132.18 %	127.14 %	59.73 %	28.27 %	83.01 %
Plan fiduciary net position as a percentage of the total pension liability	83.89 %	84.88 %	92.00 %	96.09 %	88.54 %

* The amounts presented for each fiscal year were determined as of 6/30 except for the covered payroll determined as of 09/30. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

Leon County, Florida

Schedule of Contributions

Florida Retirement System Last Ten Fiscal Years*

	2017	2016	2015	2014	2013
Contractually required contribution	\$ 10,523,370	\$ 10,406,807	\$ 9,291,632	\$ 8,187,949	\$ 5,214,322
Contributions in relation to the contractually required contribution	(10,523,370)	(10,406,807)	(9,291,632)	(8,187,949)	(5,214,322)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Leon County's covered-employee payroll	\$ 90,549,137	\$ 84,749,887	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Contributions as a percentage of covered-employee payroll	11.62 %	12.28 %	11.27 %	10.15 %	6.49 %

* The amounts presented for each fiscal year were determined as of 6/30 except for the covered payroll determined as of 09/30. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

Leon County, Florida

Proportionate Share of Net Pension Liability

Health Insurance Subsidy Program Last Ten Fiscal Years*

	2017	2016	2015	2014	2013
Leon County's proportion of the net pension liability	0.275303556%	0.286548096%	0.274123595%	0.270973192%	0.279295965%
Leon County's proportionate share of the net pension liability	\$ 29,436,726	\$ 33,395,994	\$ 27,956,296	\$ 25,336,655	\$ 24,316,386
Leon County's covered-employee payroll	\$ 90,459,137	\$ 84,749,884	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Leon County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.54 %	39.41 %	33.92 %	31.41 %	30.26 %
Plan fiduciary net position as a percentage of the total pension liability	1.64 %	0.97 %	0.50 %	0.99 %	1.78 %

* The amounts presented for each fiscal year were determined as of 6/30 except for the covered payroll determined as of 09/30. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

Leon County, Florida

Schedule of Contributions

Health Insurance Subsidy Program Last Ten Fiscal Years*

	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,456,986	\$ 1,468,742	\$ 1,047,871	\$ 928,263	\$ 914,903
Contributions in relation to the contractually required contribution	\$ (1,456,986)	\$ (1,468,742)	\$ (1,047,871)	\$ (928,263)	\$ (914,903)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Leon County's covered-employee payroll	\$ 90,459,137	\$ 84,749,884	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Contributions as a percentage of covered-employee payroll	1.61 %	1.73 %	1.27 %	1.15 %	1.14 %

* The amounts presented for each fiscal year were determined as of 6/30 except for the covered payroll determined as of 09/30. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

Leon County, Florida

Schedule of Funding Progress

September 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Accrued Liability as a percentage of covered payroll
10/1/2016	\$ 0	\$ 14,518,102	\$ 14,518,102	0.00 %	\$ 90,459,137	16.05 %
10/1/2014	\$ 0	\$ 12,519,788	\$ 12,519,788	0.00 %	\$ 84,749,884	14.77 %
10/1/2014	\$ 0	\$ 12,519,788	\$ 12,519,788	0.00 %	\$ 82,413,692	15.19 %
10/1/2012	\$ 0	\$ 10,436,732	\$ 10,436,732	0.00 %	\$ 80,672,832	12.94 %

**INTERNAL CONTROL
AND
COMPLIANCE REPORTS**

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

Honorable Board of County Commissioners
Leon County, Florida

We have audited, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Leon County, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Leon County, Florida's basic financial statements, and have issued our report thereon dated April 27, 2018

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leon County, Florida'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leon County, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Leon County, Florida'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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

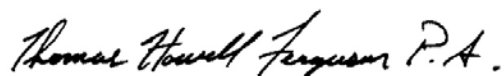
As part of obtaining reasonable assurance about whether Leon County, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 2017-001.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We noted certain other matters pursuant to the Chapter 10.550, *Rules of the Auditor General* that we have reported to the management of Leon County, Florida in a separate letter dated April 27, 2018.

Thomas Howell Ferguson P.A.



Tallahassee, Florida
April 27, 2018

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



Tallahassee, Florida

Independent Auditors' Report on Compliance for Each Major Federal Program
and State Project; Internal Control Over Compliance; and Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance and
Chapter 10.550, *Rules of the Auditor General*

Honorable Board of County Commissioners
Leon County, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Leon County, Florida's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* and the requirements described in the *Florida Department of Financial Service's State Projects Compliance Supplement*, that could have a direct and material effect on each of Leon County, Florida's major federal programs and state projects for the year ended September 30, 2017. Leon County, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Leon County, Florida's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Leon County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Leon County, Florida's compliance.

Basis for Qualified Opinion on State Housing Initiatives Partnership Program, CSFA 40.901

As described in the accompanying Schedule of Findings and Questioned Costs, Leon County, Florida did not comply with requirements regarding the State Housing Initiatives Partnership Program, CSFA 40.901, as described in finding number 2017-001 for Activities Allowed or Unallowable as defined in *Florida Administrative Code* 67-37. Compliance with such requirements is necessary, in our opinion, for Leon County, Florida to comply with the requirements applicable to that state project.

Qualified Opinion on State Housing Initiatives Partnership Program, CSFA 40.901

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Leon County, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the State Housing Initiatives Partnership Program, CSFA 40.901 for the year ended September 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs and State Projects

In our opinion, Leon County, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs and state projects identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Leon County, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Leon County, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leon County, Florida's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001 that we consider to be a significant deficiency.

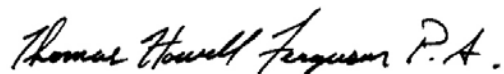
Leon County, Florida's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Leon County, Florida's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*

We have audited the financial statements of Leon County, Florida as of and for the year ended September 30, 2017, and have issued our report thereon dated April 27, 2018 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.

Thomas Howell Ferguson P.A.



Tallahassee, Florida
April 27, 2018

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



Tallahassee, Florida

Leon County Board of County Commissioners
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2017

<u>Federal / State Agency</u> <u>Pass-through Entity</u> <u>Federal Program / State Project</u>	<u>CFDA or</u> <u>CSFA</u> <u>Number</u>	<u>Grant</u> <u>Contract</u> <u>Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Pass through Florida Department of Financial Services Schools and Roads - Grants to States	10.665	USFOR2016	15,167
<u>U.S. Department of Housing and Urban Development</u>			
Pass through Florida Department of Economic Opportunity Community Development Block Grants	14.228	10DB-K4-02-47-01-K21	234,753
<u>U.S. Department of Interior</u>			
Direct Program Payment in Lieu of Taxes	15.226	Unknown	220,628
<u>U.S. Department of Justice</u>			
Direct Programs Equitable Sharing Program	16.922	Unknown	33,627
State Criminal Alien Assistance Program	16.606	2013-AP-BX-0874	2,716
Pass through Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-JAGC-LEON-2-F9-057	38,356
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-JAGC-LEON-1-F9-147	13,954
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-H3613-FL-DJ	38,720
Total CFDA# 16.738			91,030
Pass through State of Florida Office of the Attorney General Crime Victim Assistance	16.575	V-2016-00162	52,892
<u>U.S. Department of Transportation</u>			
Pass through Florida Department of Transportation Highway Planning and Construction	20.205	409803-7-58-01/G0013	259,806
Pass through Florida Department of Environmental Protection Recreational Trails Program	20.219	T1401	169,171
Total CFDA # 20.205 & 20.219 Highway Planning and Construction Cluster			428,977
<u>U.S. Department of Health and Human Services</u>			
Pass through Florida Department of Revenue Child Support Enforcement-Service of Process	93.563	CST37	21,556
Child Support Enforcement-Title IV D Incentive	93.563	FFY2015	3,321
Child Support Enforcement	93.563	COC37	233,787
Total CFDA # 93.563			258,664
<u>U.S. Department of Homeland Security</u>			
Pass through Florida Division of Emergency Management Homeland Security Grant Program	97.067	EMW-2016-SS-00092-S01	18,496
Homeland Security Grant Program	97.067	17-DS-V4-02-47-23-257	23,450
Homeland Security Grant Program	97.067	17-DS-V4-02-47-01-278	9,504
Homeland Security Grant Program	97.067	16-DS-T9-02-47-23-315	30,534
Homeland Security Grant Program	97.067	16-DS-T9-02-47-23-349	23,931
Total CFDA # 97.067			105,915
Pass through Florida Executive Office of the Governor Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	17-PA-W1-02-47-02-079	7,623,284

(continued)

See independent auditor's report.

Leon County Board of County Commissioners
Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2017

<u>Federal / State Agency</u> <u>Pass-through Entity</u> <u>Federal Program / State Project</u>	<u>CFDA or</u> <u>CSFA</u> <u>Number</u>	<u>Grant</u> <u>Contract</u> <u>Number</u>	<u>Expenditures</u>
FEDERAL AWARDS (continued)			
<u>Federal Emergency Management Agency</u>			
Pass through Florida Department of Emergency Management			
Emergency Management Performance Grants	97.042	EMA-2016-EP-00006	45,052
Emergency Management Performance Grants	97.042	17-FG-P9-02-47-01-110	54,140
Total CFDA #97.042			99,192
Total Expenditures of Federal Awards			\$ 9,166,845

(continued)

See independent auditor's report.

Leon County Board of County Commissioners
Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2017

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures
STATE FINANCIAL ASSISTANCE			
<u>State of Florida Division of Emergency Management</u>			
Direct Project			
Emergency Management Programs	31.063	17-BG-83-02-47-01-043	66,855
<u>Florida Department of Agriculture and Consumer Services</u>			
Direct Project			
Mosquito Control	42.003	Unknown	33,487
<u>Florida Department of State</u>			
Direct Project			
State Aid to Libraries	45.030	L1671-1	172,272
<u>Florida Housing Finance Corporation</u>			
Direct Projects			
State Housing Initiatives Partnership Program	40.901	SHIP 14	310,934
State Housing Initiatives Partnership Program	40.901	SHIP 17	14,695
Total CSFA # 40.901			325,629
<u>Florida Department of Health</u>			
Direct Projects			
Emergency Management Programs	31.063	Unknown	62,650
County Grant Awards	64.005	C4037	40,451
Emergency Medical Services Matching Awards	64.003	M4253	32,775
Emergency Medical Services Matching Awards	64.003	M4254	29,531
Emergency Medical Services Matching Awards	64.003	M054	19,688
Total Florida Department of Health			185,095
<u>Florida Department of Juvenile Justice</u>			
Direct Project			
Delinquency Prevention	80.029	10494	38,430
<u>Florida Department of Transportation</u>			
Direct Project			
State Highway Project Reimbursement	55.023	220876-8-58-30/ARF84	225,000
Total Expenditures of State Financial Assistance			\$ 1,046,768
<u>NOTES:</u>			
(1) Housing loans originated since 2001 and outstanding at year end:			
Community Development Block Grant-Entitlement	14.218		\$ 543,065
State Housing Initiatives Partnership Program	40.901		2,450,666
			\$ 2,993,731

(2) The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) presents the activity of all federal programs and state projects of the Leon County Board of County Commissioners for the year ended September 30, 2017. All expenditures related to federal awards and state projects received directly from federal and state agencies, as well as federal awards and state projects passed through other governmental agencies, are included in the accompanying Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

(3) The Schedule was prepared on the modified accrual basis of accounting.

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

(5) Leon County Board of County Commissioners has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(6) No federal assistance was expended in noncash assistance.

(7) Expenditures in the amount of \$65,328 shown for U.S. Department of Transportation, Pass through Florida Department of Environmental Protection, Recreational Trails Program, CFDA 20.219, grant contract number T1401, were incurred during the year ended September 30, 2016.

(8) Expenditures in the amount of \$4,704,457 shown for U.S. Department of Homeland Security, Pass through Florida Executive Office of the Governor, Disaster Grants-Public Assistance (Presidentially Declared Disasters), CFDA 97.036, grant contract number 17-PA-W1-02-47-02-079, were incurred during the year ended September 30, 2016.

See independent auditor's report.

**Board of County Commissioners
Leon County, Florida
Schedule of Findings and Questioned Costs - Federal Awards
and State Financial Assistance
Year ended September 30, 2017**

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? None

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? None

Type of auditor's report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
		U.S. Department of Homeland Security
		Pass through Florida Executive Office of the Governor
	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II -- Financial Statement Findings

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

Section III -- Federal Award Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with 2 CFR 200.516(a).

See independent auditors' report.

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

**Schedule of Findings and Questioned Costs-Federal Awards
and State Financial Assistance (Continued)**

Year ended September 30, 2017

Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs

We noted the following matters involving noncompliance that are required to be reported in accordance with the Uniform Guidance and Chapter 10.554(1)(l)(4), *Rules of the Auditor General*.

SIGNIFICANT DEFICIENCY

FLORIDA HOUSING FINANCE CORPORATION

2017-001 State Housing Initiatives Partnership Program, Grant Numbers SHIP 14 and SHIP 17, CSFA 40.901

Criteria: The State Housing Initiatives Partnership Program is operated under the governance of *Florida Administrative Code* 67-37, which outlines the activities allowed, general requirements, and compliance requirements for the administration of the program. Administrative requirements include the maintenance of a financial tracking system that ensures that funds are expended in accordance with set-aside requirements. Included in the set-aside requirements is a restriction of a maximum of 20% which may be spent on manufactured housing. Funding provided under the program must be encumbered within the first year, and all funds must be expended within 24 months.

Condition: During audit procedures performed, it was noted that tracking sheets were not properly maintained, which resulted in more than the 20% maximum allowable for manufactured housing being spent for the 2014/2015 program year, which should have been closed out as of June 30, 2017. The County requested and received an extension through December 31, 2017, which would allow the manufactured housing overage to be spread over subsequent funding years and would allow the County to reallocate the remaining \$283,000 to other housing strategies. As of our fieldwork date in January 2018, the remaining funding had not been spent.

Cause: Tracking sheets were not properly maintained, which resulted in the County spending more than the 20% allowed for manufactured housing.

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

**Schedule of Findings and Questioned Costs-Federal Awards
and State Financial Assistance (Continued)**

Year ended September 30, 2017

Effect: The County is not in compliance with set-aside requirements as a result of not maintaining an effective financial tracking system. Additionally, as a result of the unexpended funds for the 2014/2015 program year, the County is also not in compliance with the time restrictions included in the program and the funds may be subject to recapture by the Florida Housing Finance Corporation.

Questioned Costs: There are no questioned costs related to this finding.

Recommendation: A financial tracking system should be utilized to ensure that funds are expended in accordance with set-aside requirements and within the time restrictions for which the funding is provided.

Views of responsible officials and planned corrective actions: The Office of Human Services and Community Partnerships agree with the audit finding: SHIP tracking sheets were not properly maintained. Additionally, the 2014/2015 SHIP funding has been expended, and Leon County is in compliance as of March 31, 2018, the Annual Report submission date. However, to ensure the County expends its SHIP funding in accordance with the set-aside requirements, the following corrective actions are being implemented:

- The Housing Services Manager is responsible for the maintenance of the SHIP tracking sheets.
- The Housing Services Manager will record SHIP project expenses in the SHIP tracking sheets as they occur.
- Each month, the Financial Compliance Manager will verify that all SHIP program expenses are in accordance with the set-asides requirements.
- New employees hired in the Housing Services Manager and Financial Compliance Manager positions will be required to attend SHIP program orientation within 14 days of employment. The orientation may be provided by a current or former staff member or a Florida Housing Finance Coalition technical assistance staff member.
- Annually, Housing Services staff and the Financial Compliance Manager will be required to obtain at least 10 hours of technical assistance training through the Florida Housing Finance Coalition Affordable Housing Catalyst Program beginning in 2018. All training will be documented on the *Housing Services Employee Training Record*.
- By June 30, 2018, written procedures will be developed for maintaining the SHIP tracking sheets.

Board of County Commissioners
Leon County, Florida

Schedule of Findings and Questioned Costs - Federal Awards
and State Financial Assistance (Continued)

Year ended September 30, 2017

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

Section I -- Summary of Auditor's Results

Financial Statements

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

State Financial Assistance Awards

Internal control over major projects:	
Significant deficiency(ies) identified?	Yes
Significant deficiency(ies) identified considered to be material weaknesses?	None
Type of auditors' report issued on compliance for major projects?	Modified
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.554(1)(4), <i>Rules of the Auditor General</i> ?	Yes
Findings required to be reported in a management letter pursuant to Chapter 10.554(1)(i), <i>Rules of the Auditor General</i> ?	None reported

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Project</u>
		Florida Housing Finance Corporation
		Direct Projects
	40.901	State Housing Initiatives Partnership Program
		Florida Department of Transportation
		Direct Project
	55.023	State Highway Project Reimbursement
Dollar threshold used to distinguish between Type A and Type B projects:		\$300,000

Section II -- Financial Statement Findings

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

Section III -- State Financial Assistance Findings and Questioned Costs

See Finding 2017-001 in Section III.

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

Summary Schedule of Prior Audit Findings

Year ended September 30, 2017

Federal Awards and State Financial Assistance:

Federal Programs

There were no prior Federal program audit findings.

State Projects

2016-006 – Florida Department of Environmental Protection, Statewide Surface Water Restoration and Wastewater Projects, Grant Numbers LP37111 and LP37110, CSFA 37.039

Significant Deficiency: Quarterly Progress Reports and disbursement request packages had not been completed for both agreements for the period of October 1, 2015 to September 30, 2016. The final disbursement package for the Septic to Sewer project was also not completed as of January 31, 2017.

Status: All Quarterly Progress Reports and disbursement request packages have been submitted.

MANAGEMENT LETTER

Management Letter

To the Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

We have audited the financial statements of Leon County, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated April 27, 2018

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); 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 Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report(s) 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 27, 2018, 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 findings and recommendations made in the preceding annual financial audit 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. Leon County, Florida is a political subdivision of the State of Florida. Leon County, Florida included the following component unit: The Housing Finance Authority of Leon County, which was authorized pursuant to Chapter 159, Part IV, of the *Florida Statutes* and was created by Leon County Ordinance 80-39.

Financial Condition

Sections 10.554(1)(i)5a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not Leon County, Florida has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with our audit, we determined that the Leon County, Florida did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor Leon County, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for Leon County, Florida for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

Financial Management

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. In connection with our audits, we made recommendations pertaining to the Leon County Board of County Commissioners and the Leon County Property Appraiser, and have included those recommendations as well as management's responses, in the management letters for those officers dated April 27, 2018 and March 9, 2018, respectively.

Additional Matters

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, the matters of noncompliance noted are reported in the *Schedule of Findings and Questioned Costs*.

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

Thomas Howell Ferguson P.A.

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



Tallahassee, Florida
April 27, 2018

Tallahassee, Florida

Special-Purpose Financial Statements

Board of County Commissioners
Leon County, Florida

*Year Ended September 30, 2017
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, 2017

Board of County Commissioners

Nick Maddox, Chairman.....	At-Large
Jimbo Jackson, Vice Chairman.....	District 2
William Proctor.....	District 1
John Dailey.....	District 3
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, 2017

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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, 2017, 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, 2017, 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, 2017, 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 special purpose 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 special purpose 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 special purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose financial statements or to the special purpose 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 special purpose 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 27, 2017

Law, Redd, Crona & Munroe P.A.



Tallahassee, Florida

Board of County Commissioners
Leon County, Florida
Balance Sheet - Governmental Funds
September 30, 2017

	General Fund	Fine & Forfeiture Fund	Grants Fund	Fire Rescue Services Fund
Assets				
Cash	\$ 5,198,570	\$ 0	\$ 0	\$ 0
Investments	18,765,721	1,617,424	3,567,109	2,096,798
Receivables (net of allowances for uncollectibles):				
Accounts	150,316	4,362	327,911	5,655
Special assessments	0	0	0	0
Due from other governments	11,758,305	1	1,454,745	0
Due from other funds	2,846,105	0	0	0
Due from other county units	966,058	611,530	53,077	815
Inventories	272,324	0	0	0
Other assets	4,250	0	0	0
Total assets	<u>\$ 39,961,649</u>	<u>\$ 2,233,317</u>	<u>\$ 5,402,842</u>	<u>\$ 2,103,268</u>
Liabilities, deferred inflows, and fund balances				
Liabilities:				
Accounts payable	\$ 3,785,645	\$ 33,607	\$ 202,209	\$ 91,274
Accrued liabilities	424,561	0	9,809	0
Due to other governments	953,726	0	0	517,390
Due to other funds	0	0	0	0
Due to other county units	87,519	0	16,190	0
Deposits	45,010	202,601	0	0
Revenue received in advance	15	0	4,188,199	0
Total liabilities	<u>5,296,476</u>	<u>236,208</u>	<u>4,416,407</u>	<u>608,664</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	276,574	0	0	0
Restricted	0	0	986,435	0
Committed	5,199,776	299,566	0	1,494,604
Assigned	8,254,963	1,697,543	0	0
Unassigned	20,933,860	0	0	0
Total fund balances	<u>34,665,173</u>	<u>1,997,109</u>	<u>986,435</u>	<u>1,494,604</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 39,961,649</u>	<u>\$ 2,233,317</u>	<u>\$ 5,402,842</u>	<u>\$ 2,103,268</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
\$ 539,250	\$ 0	\$ 1,827,037	\$ 695,852	\$ 8,260,709
0	23,956,854	43,254,459	0	93,258,365
23,569	1,367,630	5,094,102	0	6,973,545
928,864	0	(2,057)	10	926,817
0	0	2,550,657	0	15,763,708
0	0	0	0	2,846,105
1,685	0	636,244	0	2,269,409
0	0	0	0	272,324
0	0	16,143	0	20,393
<u>\$ 1,493,368</u>	<u>\$ 25,324,484</u>	<u>\$ 53,376,585</u>	<u>\$ 695,862</u>	<u>\$ 130,591,375</u>
\$ 0	\$ 895,508	\$ 2,376,916	\$ 250	\$ 7,385,409
0	0	479,579	0	913,949
0	0	444,761	0	1,915,877
0	0	5,207	0	5,207
0	0	0	0	103,709
0	149,925	124,311	0	521,847
0	0	1,516,034	0	5,704,248
<u>0</u>	<u>1,045,433</u>	<u>4,946,808</u>	<u>250</u>	<u>16,550,246</u>
<u>928,874</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>928,874</u>
<u>928,874</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>928,874</u>
0	0	16,143	0	292,717
0	24,279,051	36,131,254	695,612	62,092,352
564,494	0	11,976,897	0	19,535,337
0	0	305,483	0	10,257,989
0	0	0	0	20,933,860
<u>564,494</u>	<u>24,279,051</u>	<u>48,429,777</u>	<u>695,612</u>	<u>113,112,255</u>
<u>\$ 1,493,368</u>	<u>\$ 25,324,484</u>	<u>\$ 53,376,585</u>	<u>\$ 695,862</u>	<u>\$ 130,591,375</u>

Board of County Commissioners
Leon County, Florida

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

Year Ended September 30, 2017

	General Fund	Fine & Forfeiture Fund	Grants Fund	Fire Rescue Services Fund	Special Assessment Paving Fund
Revenues					
Taxes	\$ 49,875,319	\$ 72,869,625	\$ 0	\$ 0	\$ 1,709
Licenses and permits	9,600	0	36,222	0	0
Intergovernmental	31,372,908	24,877	2,568,167	0	0
Charges for services	1,681,369	897,081	94,556	7,385,252	0
Fines and forfeitures	0	123,204	0	0	0
Interest	866,600	156,346	4,433	32,773	40,547
Net decrease in fair value of investments	(201,151)	(9,394)	(31,772)	(15,946)	0
Miscellaneous	140,903	0	(142,678)	0	282,155
Total revenues	<u>83,745,548</u>	<u>74,061,739</u>	<u>2,528,928</u>	<u>7,402,079</u>	<u>324,411</u>
Expenditures					
Current:					
General government	25,578,830	0	163	0	0
Public safety	2,313,024	0	584,225	8,324,058	0
Physical environment	2,356,760	0	517,937	0	0
Transportation	0	0	1,660,740	0	0
Economic environment	2,745,247	0	368,862	0	0
Human services	7,998,819	100,000	33,480	0	0
Culture and recreation	6,661,838	0	282,265	0	0
Judicial	2,526,095	1,707,911	158,875	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>50,180,613</u>	<u>1,807,911</u>	<u>3,606,547</u>	<u>8,324,058</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>33,564,935</u>	<u>72,253,828</u>	<u>(1,077,619)</u>	<u>(921,979)</u>	<u>324,411</u>
Other financing sources (uses):					
Transfers in	2,755,758	419,320	17,352	1,224,459	0
Refunding bonds issued	0	0	0	0	0
Payment to refunding bond escrow agent	0	0	0	0	0
Transfers out	<u>(33,493,746)</u>	<u>(71,923,559)</u>	<u>(16,190)</u>	<u>(38,399)</u>	<u>(178,349)</u>
Total other financing (uses) sources	<u>(30,737,988)</u>	<u>(71,504,239)</u>	<u>1,162</u>	<u>1,186,060</u>	<u>(178,349)</u>
Net change in fund balances	2,826,947	749,589	(1,076,457)	264,081	146,062
Fund balances at beginning 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>
Fund balances at end of year	<u>\$ 34,665,173</u>	<u>\$ 1,997,109</u>	<u>\$ 986,435</u>	<u>\$ 1,494,604</u>	<u>\$ 564,494</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	\$ 37,016,244	\$ 0	\$ 159,762,897
0	3,077,931	0	3,123,753
0	7,960,298	4,574	41,930,824
0	12,754,660	56,996	22,869,914
0	403,839	0	527,043
257,049	516,977	7,072	1,881,797
(201,323)	(344,805)	0	(804,391)
1,300,000	2,016,202	47,825	3,644,407
<u>1,355,726</u>	<u>63,401,346</u>	<u>116,467</u>	<u>232,936,244</u>
4,610,454	2,116,995	0	32,306,442
1,415,280	24,170,896	0	36,807,483
1,466,943	8,184,884	0	12,526,524
156,654	18,529,426	0	20,346,820
0	4,031,498	70,865	7,216,472
0	1,979,942	0	10,112,241
2,269,888	6,431,870	0	15,645,861
1,376,856	280,974	0	6,050,711
0	7,609,077	0	7,609,077
0	803,817	0	803,817
0	57,691	0	57,691
<u>11,296,075</u>	<u>74,197,070</u>	<u>70,865</u>	<u>149,483,139</u>
<u>(9,940,349)</u>	<u>(10,795,724)</u>	<u>45,602</u>	<u>83,453,105</u>
4,827,412	21,263,350	0	30,507,651
0	15,991,000	0	15,991,000
0	(16,047,543)	0	(16,047,543)
0	(11,093,542)	0	(116,743,785)
<u>4,827,412</u>	<u>10,113,265</u>	<u>0</u>	<u>(86,292,677)</u>
(5,112,937)	(682,459)	45,602	(2,839,572)
29,391,988	49,112,236	650,010	115,951,827
<u>\$ 24,279,051</u>	<u>\$ 48,429,777</u>	<u>\$ 695,612</u>	<u>\$ 113,112,255</u>

Board of County Commissioners
Leon County, Florida
Statement of Net Position - Proprietary Funds
September 30, 2017

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash	\$ 462	\$ 271,624
Cash with fiscal agent	0	102,670
Investments	6,799,134	6,606,530
Accounts receivable	1,284,084	218,664
Due from other governments	0	13,998
Due from other county units	968	0
Inventories	1,214	39,710
Total current assets	<u>8,085,862</u>	<u>7,253,196</u>
Noncurrent assets:		
Restricted cash and investments	9,917,987	0
Capital assets:		
Land nondepreciable	1,809,844	0
Depreciable (net)	8,979,879	0
Total noncurrent assets	<u>20,707,710</u>	<u>0</u>
Total assets	<u><u>\$ 28,793,572</u></u>	<u><u>\$ 7,253,196</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 708,679	\$ 191,011
Accrued liabilities	348,923	142,970
Claims payable	0	4,451,773
Liability for closure costs/maintenance	375,325	0
Total current liabilities	<u>1,432,927</u>	<u>4,785,754</u>
Noncurrent liabilities:		
Liability for closure costs/maintenance	13,621,973	0
Total noncurrent liabilities	<u>13,621,973</u>	<u>0</u>
Total liabilities	<u>15,054,900</u>	<u>4,785,754</u>
Net position		
Net investment in capital assets	10,789,723	0
Unrestricted	2,948,949	2,467,442
Total net position	<u>13,738,672</u>	<u>2,467,442</u>
Total liabilities and net position	<u><u>\$ 28,793,572</u></u>	<u><u>\$ 7,253,196</u></u>

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, 2017

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Operating revenues		
Charges for services	\$ 9,033,261	\$ 7,664,347
Total operating revenues	<u>9,033,261</u>	<u>7,664,347</u>
Operating expenses		
Personnel services	1,701,949	657,912
Contractual services	7,090,868	109,001
Supplies	262,054	1,111,244
Communications services	30,297	637,708
Insurance	53,418	3,418,360
Utility services	5,103	0
Depreciation	949,636	0
Other services and charges	1,615,463	1,344,586
Total operating expenses	<u>11,708,788</u>	<u>7,278,811</u>
Operating (loss) income	<u>(2,675,527)</u>	<u>385,536</u>
Nonoperating revenues:		
Taxes	1,868,893	0
Interest	205,419	65,081
Net decrease in fair value of investments	(183,072)	(50,501)
Miscellaneous	279,784	0
Total nonoperating revenues	<u>2,171,024</u>	<u>14,580</u>
Income (loss) before contributions and transfers	(504,503)	400,116
Transfers in	448,670	0
Transfers out	<u>(117,146)</u>	<u>(25,000)</u>
Change in net position	(172,979)	375,116
Net position at beginning of year	13,911,651	2,092,326
Net position at end of year	<u>\$ 13,738,672</u>	<u>\$ 2,467,442</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, 2017

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 9,051,200	\$ 389,988
Payments to suppliers	(8,971,516)	(4,597,522)
Payments to employees	(1,680,162)	(636,432)
Internal activity - payments to other funds	(53,418)	0
Internal activity - cash received from other funds	0	7,219,123
Claims paid	0	(1,816,789)
Net cash (used in) provided by operating activities	<u>(1,653,896)</u>	<u>558,368</u>
Cash flows from noncapital financing activities		
Tax proceeds	1,868,893	0
Repayments on interfund loans	(426)	0
Transfers from other funds	448,670	0
Transfers to other funds	(117,146)	(25,000)
Net cash provided by (used in) noncapital financing activities	<u>2,199,991</u>	<u>(25,000)</u>
Cash flows from capital and related financing activities		
Sale of property	701,752	0
Acquisition and/or construction of capital assets	(980,385)	0
Net cash used in capital and related financing activities	<u>(278,633)</u>	<u>0</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	4,837,569	2,907,938
Purchases of investments	(5,123,490)	(3,442,555)
Interest and dividends received	18,459	9,761
Net cash used in investing activities	<u>(267,462)</u>	<u>(524,856)</u>
Net (decrease) increase in cash	0	8,512
Cash at beginning of year	462	365,782
Cash at end of year	<u>\$ 462</u>	<u>\$ 374,294</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, 2017

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities		
Operating (loss) income:	\$ (2,675,527)	\$ 385,536
Adjustment to reconcile operating (loss) income to net cash used in operating activities:		
Depreciation expense	949,636	0
Change in assets and liabilities:		
Accounts and intergovernmental receivables	(190,136)	(44,552)
Inventories	0	0
Accounts payable and other liabilities	32,270	195,904
Accrued expenses	21,787	21,480
Revenues received in advance	0	0
Estimated liability for closure costs/maintenance	208,074	0
Net cash (used in) provided by operating activities	<u>\$ (1,653,896)</u>	<u>\$ 558,368</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 49,239,656	\$ 49,239,656	\$ 49,875,319	\$ 635,663
Licenses and permits	0	0	9,600	9,600
Intergovernmental	20,936,532	23,187,739	31,372,908	8,185,169
Charges for services	1,953,651	1,953,651	1,681,369	(272,282)
Interest	449,469	449,469	866,600	417,131
Net decrease in fair value of investments	0	0	(201,151)	(201,151)
Miscellaneous	342,950	342,950	140,903	(202,047)
Total revenues	<u>72,922,258</u>	<u>75,173,465</u>	<u>83,745,548</u>	<u>8,572,083</u>
Expenditures				
General government	19,768,549	29,236,224	25,578,830	3,657,394
Public safety	2,512,944	2,512,944	2,313,024	199,920
Physical environment	2,394,799	2,394,799	2,356,760	38,039
Economic environment	2,804,279	2,810,499	2,745,247	65,252
Human services	8,320,211	8,497,907	7,998,819	499,088
Culture and recreation	7,016,639	6,766,813	6,661,838	104,975
Judicial	447,052	1,175,150	2,526,095	(1,350,945)
Total expenditures	<u>43,264,473</u>	<u>53,394,336</u>	<u>50,180,613</u>	<u>3,213,723</u>
Excess of revenues over expenditures	29,657,785	21,779,129	33,564,935	11,785,806
Other financing sources (uses):				
Transfers in	10,650,403	11,400,403	2,755,758	(8,644,645)
Transfers out	(42,845,510)	(43,245,510)	(33,493,746)	9,751,764
Total other financing sources (uses)	<u>(32,195,107)</u>	<u>(31,845,107)</u>	<u>(30,737,988)</u>	<u>1,107,119</u>
Net change in fund balance	(2,537,322)	(10,065,978)	2,826,947	12,892,925
Fund balance at beginning of year	31,838,226	31,838,226	31,838,226	0
Fund balance at end of year	<u>\$ 29,300,904</u>	<u>\$ 21,772,248</u>	<u>\$ 34,665,173</u>	<u>\$ 12,892,925</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 71,924,242	\$ 71,924,242	\$ 72,869,625	\$ 945,383
Intergovernmental	15,500	15,500	24,877	9,377
Charges for services	884,000	884,000	897,081	13,081
Fines and forfeitures	118,500	118,500	123,204	4,704
Interest	98,349	98,349	156,346	57,997
Net decrease in fair value of investments	0	0	(9,394)	(9,394)
Total revenues	<u>73,040,591</u>	<u>73,040,591</u>	<u>74,061,739</u>	<u>1,021,148</u>
Expenditures				
Human services	100,000	100,000	100,000	0
Judicial	1,717,032	1,817,032	1,707,911	109,121
Total expenditures	<u>1,817,032</u>	<u>1,917,032</u>	<u>1,807,911</u>	<u>109,121</u>
Excess of revenues over expenditures	<u>71,223,559</u>	<u>71,123,559</u>	<u>72,253,828</u>	<u>1,130,269</u>
Other financing sources (uses):				
Transfers in	0	0	419,320	419,320
Transfers out	(71,223,559)	(71,973,559)	(71,923,559)	50,000
Total other financing sources (uses)	<u>(71,223,559)</u>	<u>(71,973,559)</u>	<u>(71,504,239)</u>	<u>469,320</u>
Net change in fund balance	0	(850,000)	749,589	1,599,589
Fund balance at beginning of year	<u>1,247,520</u>	<u>1,247,520</u>	<u>1,247,520</u>	<u>0</u>
Fund balance at end of year	<u>\$ 1,247,520</u>	<u>\$ 397,520</u>	<u>\$ 1,997,109</u>	<u>\$ 1,599,589</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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Licenses and permits	\$ 0	\$ 36,225	\$ 36,222	\$ (3)
Intergovernmental	389,267	15,938,182	2,568,167	(13,370,015)
Charges for services	84,835	296,956	94,556	(202,400)
Interest	0	6,479	4,433	(2,046)
Net decrease in fair value of investments	0	0	(31,772)	(31,772)
Miscellaneous	0	1,002,962	(142,678)	(1,145,640)
Total revenues	<u>474,102</u>	<u>17,280,804</u>	<u>2,528,928</u>	<u>(14,751,876)</u>
Expenditures				
General government	0	588	163	425
Public safety	350,882	1,813,989	584,225	1,229,764
Physical environment	0	4,819,223	517,937	4,301,286
Transportation	0	8,073,965	1,660,740	6,413,225
Economic environment	0	1,565,457	368,862	1,196,595
Human services	32,521	55,962	33,480	22,482
Culture and recreation	15,000	2,206,862	282,265	1,924,597
Judicial	216,690	250,307	158,875	91,432
Total expenditures	<u>615,093</u>	<u>18,786,353</u>	<u>3,606,547</u>	<u>15,179,806</u>
(Deficiency) excess of revenue (under) over expenditures	<u>(140,991)</u>	<u>(1,505,549)</u>	<u>(1,077,619)</u>	<u>427,930</u>
Other financing sources (uses):				
Transfers in	0	17,352	17,352	0
Transfers out	(121,155)	0	(16,190)	(16,190)
Total other financing sources (uses)	<u>(121,155)</u>	<u>17,352</u>	<u>1,162</u>	<u>(16,190)</u>
Net change in fund balance	(262,146)	(1,488,197)	(1,076,457)	411,740
Fund balance at beginning of year	2,062,892	2,062,892	2,062,892	0
Fund balance at end of year	<u>\$ 1,800,746</u>	<u>\$ 574,695</u>	<u>\$ 986,435</u>	<u>\$ 411,740</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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 7,094,946	\$ 7,302,564	\$ 7,385,252	\$ 82,688
Interest	0	0	32,773	32,773
Net decrease in fair value of investments	0	0	(15,946)	(15,946)
Total revenues	<u>7,094,946</u>	<u>7,302,564</u>	<u>7,402,079</u>	<u>99,515</u>
Expenditures				
Public safety	8,280,315	8,487,933	8,324,058	163,875
Total expenditures	<u>8,280,315</u>	<u>8,487,933</u>	<u>8,324,058</u>	<u>163,875</u>
Excess of revenues over expenditures	<u>(1,185,369)</u>	<u>(1,185,369)</u>	<u>(921,979)</u>	<u>263,390</u>
Other financing uses:				
Transfers in	1,224,459	1,224,459	1,224,459	0
Transfers out	(39,090)	(39,090)	(38,399)	691
Total other financing uses	<u>1,185,369</u>	<u>1,185,369</u>	<u>1,186,060</u>	<u>691</u>
Net change in fund balance	0	0	264,081	264,081
Fund balance at beginning of year	1,230,523	1,230,523	1,230,523	0
Fund balance at end of year	<u>\$ 1,230,523</u>	<u>\$ 1,230,523</u>	<u>\$ 1,494,604</u>	<u>\$ 264,081</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 0	\$ 0	\$ 1,709	\$ 1,709
Interest	32,965	32,965	40,547	7,582
Miscellaneous	145,350	145,350	282,155	136,805
Total revenues	<u>178,315</u>	<u>178,315</u>	<u>324,411</u>	<u>146,096</u>
Expenditures				
Physical environment	<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>178,315</u>	<u>178,315</u>	<u>324,411</u>	<u>146,096</u>
Other financing uses:				
Transfers out	<u>(178,315)</u>	<u>(178,315)</u>	<u>(178,349)</u>	<u>(34)</u>
Total other uses	<u>(178,315)</u>	<u>(178,315)</u>	<u>(178,349)</u>	<u>(34)</u>
Net change in fund balance	0	0	146,062	146,062
Fund balance at beginning of year	<u>418,432</u>	<u>418,432</u>	<u>418,432</u>	<u>0</u>
Fund balance at end of year	<u>\$ 418,432</u>	<u>\$ 418,432</u>	<u>\$ 564,494</u>	<u>\$ 146,062</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, 2017

	<u>Total Agency Funds</u>
Assets	
Cash	\$ 676,724
Accounts receivable	<u>3,463,658</u>
Total assets	<u><u>\$ 4,140,382</u></u>
Liabilities	
Accounts payable	\$ 155,800
Accrued liabilities	1,143,684
Due to other funds	<u>2,840,898</u>
Total liabilities	<u><u>\$ 4,140,382</u></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, 2017

Note 1. Accounting Policies

Reporting Entity

Leon County (the County) is a political subdivision of the state of Florida and provides services to its residents in many areas, including public safety, transportation, recreation, and human services. It is governed by an elected Board of County Commissioners (seven members). 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, 2017

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, 2017, 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, 2017

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, 2017

Note 1. Accounting Policies (continued)

Blueprint 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, now known as the Blueprint Intergovernmental Agency (Blueprint) to govern the project management for the project planning and construction of a list of projects known as the Blueprint projects. The Board of County Commissioners and the City Commission constitute the Blueprint's Board of Directors and jointly govern the organization. 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 Blueprint provides construction management services to the County. For these services the Blueprint and the County enter into Joint Participation Agreements whereby the County agrees to pay an administrative fee to the Blueprint.

Current audited financial statements may be obtained from the Blueprint Intergovernmental Agency, 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, 2017

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 Fund – 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, 2017

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, 2017

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*.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Accounting Policies (continued)

Cash and Investments

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

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

During the 2016-2017 fiscal year, the Board invested in three different investment pools: the Special Purpose Investment Account (SPIA) within the Florida Treasury Investment Pool (the Pool) administered by the Florida Department of Financial Services, as authorized by Section 17.61(1), *Florida Statutes*; The Florida Local Government Investment Trust (FLGIT), a local government investment pool developed through the joint efforts of the Florida Court Clerks and Comptrollers (FCCC) and the Florida Association of Counties (FAC); and the Local Government Surplus Funds Trust Fund (Florida PRIME), administered by the Florida State Board of Administration (SBA) as authorized by Section 218.415 (17), *Florida Statutes*. 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, 2017 is equal to 69% 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, 2017

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 Proprietary 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 Leon County, Florida Comprehensive Annual Financial Report (Leon County CAFR). The Board does not record depreciation of these assets on its governmental fund financial statements, although depreciation is recorded for such assets in the Leon County CAFR. 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 Leon County CAFR. 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 in the Statement of Net Position of Leon County CAFR.

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, 2017

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, 2017

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 8.3144 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, 2017

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, 2017 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, 2017.

Note 3. Cash and Investments

Credit Risk

The Board's Investment Policy (the 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 per issuer in corporate notes and bonds and 5% per issuer in commercial paper. 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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 3. Cash and Investments (continued)

Credit Risk (continued)

4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities.
6. Securities of, or other interests in, any management type investment company or trust registered under the Investment Company Act of 1940, where the investment portfolio is limited to United States Government Obligations.
7. Other investments authorized by law or by ordinance for a county or a municipality.

The Board's Investment Policy limits credit risk by restricting authorized investments to the following: Local Government Surplus Funds Trust Fund (Florida PRIME), State of Florida Special Purpose Investment Account (SPIA), 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 Special Purpose Investment Account (SPIA). SPIA funds are combined with State funds and are invested as part of the Treasury Investment Pool.

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 SPIA 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, 2017 was A+f. Investments in this pool are limited to a maximum of 100% of the portfolio. A copy of the Florida Treasury Investment Pool's most recent financial statements can be found at <https://www.myfloridacfo.com/Division/Treasury/Reports/AnnualReports>.

The FLGIT is a local government investment pool created by the Florida Court Clerks and Comptrollers, 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+ 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, 2017

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, 2017, 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 15% of the portfolio. The current rating for the Florida PRIME is AAAM by Standard and Poor's. 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, 2017, were \$10,505,156.

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, 2017

Note 3. Cash and Investments (continued)

Interest Rate Risk (continued)

The externally managed portfolio totaled \$65,815,566 at September 30, 2017, and was invested for a weighted average term of approximately 867 days, as compared to a weighted average term of 797 days in fiscal year 2016. The County requires a minimum balance of short term investments. To meet the day-to-day operating needs of the County and to provide the ready cash to meet unforeseen temporary cash requirements, a liquidity base of approximately at least two months of anticipated disbursements is kept in relatively short term investments. This includes investments in government pools with daily liquidity such as Florida PRIME or money markets. The Board was in compliance with this requirement.

As of September 30, 2017, the value of the Board's deposits and investments, with their respective credit ratings, was as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Deposits in Qualified Public Depositories	\$ 8,522,818	N/A	N/A
External Investment in Government Pools:			
State of Florida Special Purpose Investment Account (SPIA)	51,055,707	A+f	2.89
Florida Local Government Investment Trust Government Fund (FLGIT)	5,878	AAAf	1.74
Florida PRIME Investment Pool	5,679	AAAm	0.22
Externally Managed Portfolio:			
Money Market	14,801	AAA	N/A
U.S. Treasuries	24,753,143	AA+	2.41
Government Sponsored Agencies:			
Federal Home Loan Bank	5,593,663	AA+	1.77
Federal National Mortgage Association	7,577,607	AA+	1.67
Other Government Sponsored Agencies	7,048,868	AA+	1.58
Mortgage Backed Securites	564,317	AA+	1.30
Collateralized Mortgage Obligations	700,279	AA+	0.98
Corporate Bonds	8,523,397	A-	1.25
Corporate Bonds	4,737,994	AA-	1.49
Corporate Bonds	578,932	BBB+	0.31
Asset-backed Securities	<u>5,722,565</u>	AAA	0.90
Total Cash and Investments	<u>\$ 125,405,648</u>		

The amounts above exclude cash on hand and amounts held by third parties in trust for the Board, but includes accrued interest of \$300,814.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 3. Cash and Investments (continued)

Foreign Currency Risk

The County contributes to the Florida Retirement System (FRS), the investments of which are administered by the State Board of Administration. The FRS's investment policy and exposure to foreign currency risk is disclosed in Note 2 of the State of Florida Comprehensive Annual Financial Report. A copy of this report is available at <https://www.myfloridacfo.com/Division/AA/Reports/>.

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, 2017 was 0.9975. 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.

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.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 4. Fair Value Measurements (continued)

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, 2017:

	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	\$ 5,722,565	\$ 0	\$ 5,722,565
Corporatate Bonds and Notes	0	13,840,323	0	13,840,323
US Agencies	0	20,220,139	0	20,220,139
US Government Obligations	24,767,943	0	0	24,767,943
Asset Backed Security (Mortgage Backed) - US				
Agency Sponsored	0	564,317	0	564,317
Collateralized Mortgage Obligations	0	700,279	0	700,279
Investments at fair value	<u>\$ 24,767,943</u>	<u>\$41,047,623</u>	<u>\$ 0</u>	<u>\$65,815,566</u>

Note 5. Fixed Assets

A summary of changes in fixed assets and depreciation for the year ended September 30, 2017, follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance
Governmental activities:				
Land	\$ 20,891,310	\$ 0	\$ 0	\$ 20,891,310
Improvements other than buildings	31,411,015	894,738	0	32,305,753
Buildings and improvements	217,147,119	0	0	217,147,119
Equipment	60,090,570	4,627,410	(2,778,084)	61,939,896
Leasehold Improvement	0	1,552,793	0	1,552,793
Construction in progress	6,960,944	2,031,999	(1,146,952)	7,845,991
Totals at historical cost	<u>\$ 336,500,958</u>	<u>\$ 9,106,940</u>	<u>\$ (3,925,036)</u>	<u>\$ 341,682,862</u>

Depreciation on capital assets used in governmental activities is recorded in the Leon County CAFR.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 5. Fixed Assets (continued)

	<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	20,198,294	138,816	0	20,337,110
Equipment	<u>5,386,717</u>	<u>841,569</u>	<u>(693,359)</u>	<u>5,534,927</u>
Totals at historical cost	<u>27,394,855</u>	<u>980,385</u>	<u>(693,359)</u>	<u>27,681,881</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,297,678)	(609,537)	0	(13,907,215)
Equipment	<u>(2,916,234)</u>	<u>(340,099)</u>	<u>271,390</u>	<u>(2,984,943)</u>
Total accumulated depreciation	<u>(16,213,912)</u>	<u>(949,636)</u>	<u>271,390</u>	<u>(16,892,158)</u>
	<u>\$ 11,180,943</u>	<u>\$ 30,749</u>	<u>\$ (421,969)</u>	<u>\$ 10,789,723</u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 6. Long-Term Debt

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

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2017</u>	<u>Due Within One Year</u>
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	12,351,000	0	(169,000)	12,182,000	6,668,000
Capital Improvement Revenue Refunding Bonds, Series 2014	15,951,000	0	(15,951,000)	0	0
Capital Improvement Revenue Refunding Bonds, Series 2015	6,886,000	0	(6,886,000)	0	0
Capital Improvement Revenue Refunding Bonds, Series 2017	0	15,991,000	(140,000)	15,851,000	159,000
Total special revenue debt	<u>43,455,000</u>	<u>15,991,000</u>	<u>(23,146,000)</u>	<u>36,300,000</u>	<u>6,827,000</u>
Note payable	836,648	0	(454,077)	382,571	382,571
Liability for closure costs	13,789,224	208,074	0	13,997,298	375,325
Liability for compensated absences	4,904,551	2,905,576	(2,575,637)	5,234,490	1,791,242
Other postemployment benefits	3,612,801	468,727	(52,204)	4,029,324	0
Arbitrage rebate liability	25,000	0	0	25,000	0
	<u>\$ 66,623,224</u>	<u>\$19,573,377</u>	<u>\$ (26,227,918)</u>	<u>\$ 59,968,683</u>	<u>\$ 9,376,138</u>

Total interest costs incurred for general long-term debt by the Board, including bond issuance costs, for the year ended September 30, 2017, was \$861,508.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 6. Long-Term Debt (continued)

B. A summary of each special revenue debt obligation outstanding at September 30, 2017 is as follows:

	Outstanding at September 30, 2017
\$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.	\$ 8,267,000
\$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.	12,182,000
\$15,991,000 Capital Improvement Revenue Refunding Bonds, Series 2017, (i) refund the Capital Improvement Revenue Bonds, Series 2014 of which \$15,951,000 was currently outstanding and maturing in the years 2021 through 2025, and (ii) pay issuance costs on the Series 2017 bonds. The economic gain resulting from the refunding was \$489,076. The bonds dated June 22, 2017 and bear interest of 2.11% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2017. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2025.	15,851,000

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 6. Long-Term Debt (continued)

**Outstanding at
September 30,
2017**

The Capital Improvement Revenue Bonds, Series 2012A, the Capital Improvement Revenue Refunding Bonds Series 2017, 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

\$ 36,300,000

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.

\$ 382,571

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 6. Long-Term Debt (continued)

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

	Year ending September 30,				
	2018	2019	2020	2021	2022
Capital Improvement Revenue Bonds, Series 2012A	\$ 136,406	\$ 1,441,406	\$ 7,076,872	\$ 0	\$ 0
Taxable Capital Improvement Revenue Bonds, Series 2012B	6,938,440	5,636,411	0	0	0
Capital Improvement Revenue Refunding Bonds, Series 2017	493,456	494,101	492,662	3,268,180	3,270,062
Note payable	484,514	0	0	0	0
Total Debt Service	<u>\$ 8,052,816</u>	<u>\$ 7,571,918</u>	<u>\$ 7,569,534</u>	<u>\$ 3,268,180</u>	<u>\$ 3,270,062</u>

	2023-2026	Total Payments	Less Interest	Principal
Capital Improvement Revenue Bonds, Series 2012A	\$ 0	\$ 8,654,684	\$ 387,684	\$ 8,267,000
Taxable Capital Improvement Revenue Bonds, Series 2012B	0	12,574,851	392,851	12,182,000
Capital Improvement Revenue Refunding Bonds, Series 2017	9,811,930	17,830,391	1,979,391	15,851,000
Note payable	0	484,514	101,943	382,571
Total Debt Service	<u>\$ 9,811,930</u>	<u>\$39,544,440</u>	<u>\$ 2,861,869</u>	<u>\$36,682,571</u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

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 prescribed by the Auditor General, State of Florida. Accordingly, the net pension liability is included in the Leon County CAFR 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 Leon County CAFR. 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 Leon County CAFR.

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, 2017, 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, 2017

Note 7. Employees' Retirement Plan (continued)

The total employer retirement contributions for the fiscal years ended September 30, 2017, 2016, and 2015 were \$4,442,375, \$4,178,390, and \$3,895,120, 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 the County for all the constitutional officers 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. 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 annual OPEB obligation of Constitutional Officers is recognized in the Leon County CAFR rather than in these Special-Purpose Financial Statements.

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, 2017.

General Liability

Effective December 15, 2012 the Board purchased commercial insurance for general liabilities from OneBeacon. Effective December 15, 2016, the Board purchased commercial insurance for general liabilities from Travelers. This is a zero-deductible policy.

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, 2017

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, 2017	\$ 285,090	\$ (238,953)	\$ 0	\$ 46,137
September 30, 2016	\$ 9,695	\$ 275,395	\$ 0	\$ 285,090

The claims liability of \$46,137 includes an actuarial valuation for incurred but not reported claims of \$40,000.

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, 2017, the Board had \$102,670 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 \$4,392,594, which includes incurred but not reported claims of \$2,536,347, reported in the Fund at September 30, 2017 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, 2017

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, 2017	\$ 3,773,824	\$ 1,624,770	\$ (1,006,000)	\$ 4,392,594
September 30, 2016	\$ 3,665,220	\$ 1,158,604	\$ (1,050,000)	\$ 3,773,824

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, 2017	\$ 25,641	\$ (12,599)	\$ 0	\$ 13,042
September 30, 2016	\$ 4,847	\$ 20,794	\$ 0	\$ 25,641

The claims liability of \$13,042 includes an actuarial valuation for incurred but not reported claims of \$10,000.

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, 2017

Note 10. Leases (continued)

Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2017, are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2018	\$ 1,682,975
2019	1,654,428
2020	1,645,571
2021	1,176,363
2022	937,912
Thereafter	<u>967,006</u>
	<u><u>\$ 8,064,255</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, 2017, are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2018	\$ 123,385
2019	96,088
2020	97,138
2021	98,220
2022	99,694
Thereafter	<u>88,093</u>
	<u><u>\$ 602,618</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, 2017, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$2,846,105	\$ 0
Nonmajor Governmental Funds	0	5,207
Agency Fund	0	2,840,898
	<u><u>\$2,846,105</u></u>	<u><u>\$2,846,105</u></u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

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, 2017, consisted of the following:

Transfers to the General Fund from:	
Fine & Forfeiture Fund	\$ 750,000
Special Assessment Paving Fund	172,815
Nonmajor Governmental Funds	531,206
Enterprise Fund	86,918
Internal Service Fund	25,000
Total Transfers to the General Fund	<u>1,565,939</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:	
Nonmajor Governmental Funds	<u>17,352</u>
Total Transfers to the Grants Fund	<u>17,352</u>
Transfers to the Capital Improvement Fund from:	
General Fund	2,025,284
Nonmajor Governmental Funds	<u>2,802,128</u>
Total Transfers to the Capital Improvement Fund	<u>4,827,412</u>
Transfers to the Nonmajor Governmental Funds:	
General Fund	15,432,502
Other Nonmajor Funds	<u>5,623,852</u>
Total Transfers to the Nonmajor Governmental Funds	<u>21,056,354</u>
Total Transfers to Governmental Funds	<u>28,691,516</u>
Transfers to the Enterprise Fund from:	
General Fund	<u>448,670</u>
Total Transfers to Enterprise Funds	<u>448,670</u>
Total Interfund Transfers	<u>\$ 29,140,186</u>

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

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 \$13,621,973 reported as landfill closure and post-closure care liability at September 30, 2017, 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 2017 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, 2017, held investments in the amount of \$9,917,987 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 \$2,948,949 at September 30, 2017. 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, 2017

Note 13. Commitments and Contingencies (continued)

Long-Term Construction Projects

The Board is committed to various material long-term construction projects at September 30, 2017. These commitments have been included in the 2016-2017 fiscal year budget and the five-year Capital Improvement Program and certain amounts have been reserved in the capital projects fund. There were no current contracts outstanding as of the report date.

B. Potential liabilities resulting from litigation:

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

C. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. The Board had no reserved encumbrances as of September 30, 2017.

Note 14. Subsequent Event

As of September 30, 2017 the Board estimated a liability for the closure and post closure costs of the Leon County Solid Waste Landfill (the Landfill) of approximately \$14,000,000 based on estimates provided by an independent professional engineer. The portion of this liability applicable to the closure cost of the Landfill was approximately \$9,500,000. Subsequently, in April 2018, the Board awarded the bid for the Landfill closure project in the amount of approximately \$13,000,000. The Landfill closure operation is anticipated to commence in May 2018 and to end in May 2020.

The Board has evaluated subsequent events through April 27, 2018, the date the special-purpose 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, 2017

Source	Amount Received during the 2016-17 Fiscal Year	Amount Expended during the 2016-17 Fiscal Year
British Petroleum:		
Agreement No. 134036	\$ -	\$80,000

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, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Board's special purpose financial statements, and have issued our report thereon dated April 27, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 27, 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 27, 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, 2017

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 Section 218.415, *Florida Statutes*, during the year ended September 30, 2017. 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. Those standards require that we perform the examination to obtain reasonable assurance about whether the Board complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2017.

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 27, 2017

Law, Redd, Crona & Munroe P.A.



Tallahassee, Florida

Independent Accountants' Report on Compliance with Sections 365.172
and 365.173, *Florida Statutes*, Emergency Communications Number
E911 System Fund

September 30, 2017

Independent Accountants' Report on Compliance with
Sections 365.172 and 365.173, *Florida Statutes*,
Emergency Communications Number E911 System Fund

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 emergency communications number E911 system fund requirements provided in Sections 365.172 and 365.173, *Florida Statutes*, during the year ended September 30, 2017. 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.

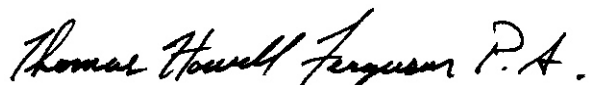
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we perform the examination to obtain reasonable assurance about whether the Board complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2017.

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 27, 2017

Law, Redd, Crona & Munroe P.A.



Tallahassee, Florida

Management Letter

September 30, 2017

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, 2017, and have issued our report thereon dated April 27, 2018.

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 Reports 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 27, 2018, 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.

Financial Management

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.

2017-001 Closing Process

The closing processes followed in the 2017 fiscal year resulted in errors in the financial statements. The errors were discovered during the audit process, and were properly investigated and corrected by management. We determined that a risk of misstatement existed.

Based on discussions with Management, we determined the issues were caused by significant turnover and vacancies in the Finance Department. These vacancies included the transition and filling of several key positions. The vacancies also included unfilled positions of several key accounting staff positions. This turnover issue led to errors recorded in the financial statements without adequate supporting documentation and adequate review.

We recommend management strengthen the internal controls over the closing process. The added controls would include developing additional review requirements and required review of source documentation prior to approval and recording of entries. The additional controls would mitigate the risk of errors being made and not identified and corrected. We also recommend the Finance Department use this opportunity to evaluate internal processes, assess the organization structure including the current distribution of duties, and recruit qualified personnel to fill identified voids.

Management's response:

Finance is working toward filling vacancies and cross-training. Further procedures for the year end will be implemented and strengthening of internal controls is already in process and we will continue to improve our procedures.

2017-002 Solid Waste Cash Receipts

We performed cash receipt audit procedures during fieldwork at the Board's Solid Waste Division. We noted several instances of deposits made in an untimely manner and untimely submission of support to the Finance Department. As an example, in the September 2017 bank reconciliation 21 Solid Waste cash receipts were reported as reconciling items. Meaning the receipts had been recorded in Banner, but had not yet been deposited in the bank. One reconciling item was \$175,000 in cash and checks. The receipt was not deposited in the bank for over 30 days.

The deposits and supporting documentation timeliness issues are not in accordance with current Board policy. The exceptions to policy, noted, increased the risk of misappropriation of assets and errors in the financial statement recording process.

It is recommended that the Solid Waste Division follow the Board's policies for cash receipts and assign separate individuals for receipt, reconciliation, deposits, and submission of supporting documentation to the Finance Department in a timely manner.

Management's response:

Cash collection receipts are being immediately addressed at the Division of Solid Waste and will be done in compliance with all policies and procedures. Deposits will be done daily, reconciling will be forwarded to Finance daily, and separate individuals will prepare the deposit and provide review and final sign-off on the deposit bag and reconciling paperwork. In addition, the Division of Solid Waste with the assistance of Finance is reviewing the use of a drop box for the collection of check payments.

Additional Matters

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, the matters of noncompliance noted are reported in the *Schedule of Findings and Questioned Costs* as part of the Leon County, Florida government-wide financial reporting package.

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.

Thomas Howell Ferguson P.A.



Tallahassee, Florida
April 27, 2017

Law, Redd, Crona & Munroe P.A.



Tallahassee, Florida

Special-Purpose Financial Statements

Clerk of the Circuit Court and Comptroller
Leon County, Florida

*Year Ended September 30, 2017
with Independent Auditors' Report*

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida

Special-Purpose Financial Statements

Year Ended September 30, 2017

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Independent Auditors' Report

The Honorable Clerk of the Circuit Court and Comptroller
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the governmental funds, the proprietary fund, and the fiduciary funds of the Clerk of the Circuit Court and Comptroller of Leon County, Florida (the Clerk), as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Clerk's special-purpose 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 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 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

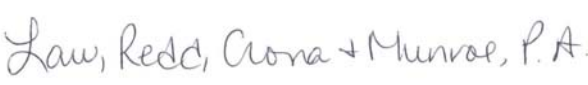
In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of each of the governmental funds, the proprietary fund, and the agency funds of the Clerk of the Circuit Court and Comptroller of Leon County, Florida as of September 30, 2017, the results of each funds' changes in financial position, where applicable, the cash flows thereof, and the respective budgetary comparison statements of the governmental 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 governmental funds, the proprietary fund and the agency funds of the Clerk, only that portion that is attributable to the transactions of the Clerk. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2017, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2018, on our consideration of the Clerk'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. 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 Clerk's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
February 19, 2018

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida

Balance Sheet - Governmental Funds

September 30, 2017

	General Fund	Article V Court Operating Fund	Records Modernization Fund	Total Governmental Funds
Assets				
Cash	\$ 430,099	\$ 464,338	\$ 1,692,481	\$ 2,586,918
Investments	0	0	72,587	72,587
Receivables (net of allowances for uncollectibles):				
Accounts receivable	7,169	5	102	7,276
Due from other county units	10,689	0	0	10,689
Due from other governments	4,811	165,029	0	169,840
Prepays	12,163	0	2,400	14,563
Inventory	20,099	0	0	20,099
Total assets	<u>\$ 485,030</u>	<u>\$ 629,372</u>	<u>\$ 1,767,570</u>	<u>\$ 2,881,972</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable and other liabilities	\$ 197,813	\$ 182	\$ 59,558	\$ 257,553
Accrued liabilities	29,361	43,939	5,909	79,209
Due to other county units	108,878	0	0	108,878
Due to other governments	126,269	585,251	0	711,520
Deposits	22,709	0	0	22,709
Total liabilities	<u>485,030</u>	<u>629,372</u>	<u>65,467</u>	<u>1,179,869</u>
Fund balance:				
Nonspendable	32,262	0	2,400	34,662
Restricted	0	0	1,699,703	1,699,703
Unassigned	<u>(32,262)</u>	<u>0</u>	<u>0</u>	<u>(32,262)</u>
Total fund balance	<u>0</u>	<u>0</u>	<u>1,702,103</u>	<u>1,702,103</u>
Total liabilities and fund balances	<u>\$ 485,030</u>	<u>\$ 629,372</u>	<u>\$ 1,767,570</u>	<u>\$ 2,881,972</u>

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida

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

Year Ended September 30, 2017

	General Fund	Article V Court Operating Fund	Records Modernization Fund	Total Governmental Funds
Revenues				
Intergovernmental	\$ 3,624	\$ 878,422	\$ 0	\$ 882,046
Charges for services	1,332,207	4,938,470	653,568	6,924,245
Interest	0	0	1,020	1,020
Net decrease in fair value of investments	0	0	(1,051)	(1,051)
Miscellaneous	6,439	0	0	6,439
Total revenues	<u>1,342,270</u>	<u>5,816,892</u>	<u>653,537</u>	<u>7,812,699</u>
Expenditures				
Current:				
General government:				
Judicial	548,461	5,752,217	504,577	6,805,255
Financial and administrative	2,122,735	0	0	2,122,735
Other general government	413,820	0	91,730	505,550
Total expenditures	<u>3,085,016</u>	<u>5,752,217</u>	<u>596,307</u>	<u>9,433,540</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,742,746)</u>	<u>64,675</u>	<u>57,230</u>	<u>(1,620,841)</u>
Other financing sources (uses) including transfers:				
Operating transfers in	2,016,674	154,237	165,050	2,335,961
Operating transfers out	(273,928)	(218,912)	(154,237)	(647,077)
Total other financing sources (uses)	<u>1,742,746</u>	<u>(64,675)</u>	<u>10,813</u>	<u>1,688,884</u>
Net change in fund balances	0	0	68,043	68,043
Fund balance at beginning of year	0	0	1,634,060	1,634,060
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,702,103</u>	<u>\$ 1,702,103</u>

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Statement of Net Position - Proprietary Fund
September 30, 2017

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets:	
Cash	\$ 552,470
Total assets	<u>\$ 552,470</u>
Liabilities and net position	
Current liabilities:	
Compensated absences	\$ 293,350
Total current liabilities	<u>293,350</u>
Noncurrent liabilities:	
Compensated absences	259,120
Total noncurrent liabilities	<u>259,120</u>
Total liabilities	<u>552,470</u>
Net position	
Unrestricted	0
Total net position	<u>0</u>
Total liabilities and net position	<u>\$ 552,470</u>

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Fund
Year Ended September 30, 2017

	Governmental Activities - Internal Service Fund
Operating revenues	
Charges for services	<u>\$ 0</u>
Operating expenses	
Personnel services	<u>0</u>
Nonoperating revenues (expenses)	<u>0</u>
Change in net position	0
Net position, October 1	<u>0</u>
Net position, September 30	<u><u>\$ 0</u></u>

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Statement of Cash Flows - Proprietary Fund
Year Ended September 30, 2017

**Governmental
Activities -
Internal
Service Fund**

Cash flows from operating activities

Internal activity - payments from other funds	\$ 3,311
Net cash provided by operating activities	<u>3,311</u>

Cash flows from noncapital financing activities

0

Cash flows from capital and related financing activities

0

Cash flows from investing activities

0

Net increase in cash	3,311

Cash at beginning of year	<u>549,159</u>

Cash at end of year	<u><u>\$ 552,470</u></u>

**Reconciliation of operating income to net cash
used for operating activities**

Operating income:	\$ 0

Adjustment to reconcile operating income to net
cash provided by operating activities:

Changes in assets and liabilities:

Compensated absences	<u>3,311</u>

Net cash provided by operating activities	<u><u>\$ 3,311</u></u>

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Statement of Fiduciary Assets and Liabilities - Agency Funds
September 30, 2017

Assets

Cash	\$ 6,131,300
Accounts receivable	15,542
Total assets	<u>\$ 6,146,842</u>

Liabilities

Accounts payable and other liabilities	\$ 257,227
Due to other governments	1,894,100
Due to other county units	170,718
Deposits	3,824,797
Total liabilities	<u>\$ 6,146,842</u>

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,300	\$ 4,000	\$ 3,624	\$ (376)
Charges for services	1,186,826	1,348,000	1,332,207	(15,793)
Miscellaneous	700	9,000	6,439	(2,561)
Total revenues	<u>1,191,826</u>	<u>1,361,000</u>	<u>1,342,270</u>	<u>(18,730)</u>
Expenditures				
Current:				
General government:				
Judicial	407,457	584,848	548,461	36,387
Financial and administrative	2,391,902	2,093,826	2,122,735	(28,909)
Other general government	409,141	424,000	413,820	10,180
Total expenditures	<u>3,208,500</u>	<u>3,102,674</u>	<u>3,085,016</u>	<u>17,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,016,674)</u>	<u>(1,741,674)</u>	<u>(1,742,746)</u>	<u>(1,072)</u>
Other financing sources (uses) including transfers:				
Operating transfers in	2,016,674	2,016,674	2,016,674	0
Operating transfers out	0	(275,000)	(273,928)	1,072
Total other financing sources (uses)	<u>2,016,674</u>	<u>1,741,674</u>	<u>1,742,746</u>	<u>1,072</u>
Net change in fund balances	0	0	0	0
Fund balance at beginning of year	0	0	0	0
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Article V Court Operating Fund

Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 568,849	\$ 793,000	\$ 878,422	\$ 85,422
Charges for services	5,207,470	5,054,518	4,938,470	(116,048)
Total revenues	<u>5,776,319</u>	<u>5,847,518</u>	<u>5,816,892</u>	<u>(30,626)</u>
Expenditures				
Current:				
General government:				
Judicial	6,003,518	5,872,215	5,752,217	119,998
Total expenditures	<u>6,003,518</u>	<u>5,872,215</u>	<u>5,752,217</u>	<u>119,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(227,199)</u>	<u>(24,697)</u>	<u>64,675</u>	<u>89,372</u>
Other financing sources (uses) including transfers:				
Operating transfers in	227,199	156,000	154,237	(1,763)
Operating transfers out	0	(131,303)	(218,912)	(87,609)
Total other financing sources (uses)	<u>227,199</u>	<u>24,697</u>	<u>(64,675)</u>	<u>(89,372)</u>
Net change in fund balances	0	0	0	0
Fund balance at beginning of year	0	0	0	0
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Records Modernization Fund

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 739,314	\$ 667,000	\$ 653,568	\$ (13,432)
Interest	8,076	2,000	1,020	(980)
Net increase (decrease) in fair value of investments	0	1,000	(1,051)	(2,051)
Total revenues	<u>747,390</u>	<u>670,000</u>	<u>653,537</u>	<u>(16,463)</u>
Expenditures				
Current:				
General government:				
Judicial	619,651	549,000	504,577	44,423
Other general government	296,495	131,000	91,730	39,270
Total expenditures	<u>916,146</u>	<u>680,000</u>	<u>596,307</u>	<u>83,693</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,756)</u>	<u>(10,000)</u>	<u>57,230</u>	<u>67,230</u>
Other financing sources (uses) including transfers:				
Operating transfers in	395,955	166,000	165,050	(950)
Operating transfers out	(227,199)	(156,000)	(154,237)	1,763
Total other financing sources (uses)	<u>168,756</u>	<u>10,000</u>	<u>10,813</u>	<u>813</u>
Net change in fund balances	0	0	68,043	68,043
Fund balance at beginning of year	<u>1,634,060</u>	<u>1,634,060</u>	<u>1,634,060</u>	<u>0</u>
Fund balance at end of year	<u>\$ 1,634,060</u>	<u>\$ 1,634,060</u>	<u>\$ 1,702,103</u>	<u>\$ 68,043</u>

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Clerk of the Circuit Court and Comptroller (the Clerk) is an elected Constitutional Officer of Leon County, Florida, pursuant to Article VIII, Section (1) of the Constitution of the State of Florida. For financial statement and reporting purposes, the Clerk is a separate constitutional officer as provided by Chapter 218, *Florida Statutes*. Leon County (County) is a charter county which allows for the same powers and duties as provided by 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 Clerk is considered to be a part of the primary government of Leon County and is included in the Leon County government-wide financial statements. The financial statements contained herein represent the financial transactions of the Clerk only.

The Leon County Board of County Commissioners (the Board) funds a portion or, in certain instances, all of the operating budgets of the County's Constitutional Officers except for the Tax Collector and only the obligations specified under Chapter 29 in the *Florida Statutes* for the Clerk. The Tax Collector and the Clerk are considered fee officers. A portion of the Clerk's budget is funded by the Board for part of Finance and all obligations specified under Chapter 29 in the *Florida Statutes* for the Clerk. 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.

The accounting policies of the Clerk conform to accounting principles generally accepted in the United States of America, as applicable to governments.

Basis of Presentation

The special-purpose 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

The financial activities of the Clerk are recorded in separate funds which are categorized and described as follows:

Governmental Fund Type

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

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Description of Funds (continued)

Governmental Fund Type (continued)

- Article V Court Operating Fund - This fund is used to account for specific governmental revenue sources that are legally restricted through Article V of the Florida Constitution to expenditures for court operations.
- Records Modernization Fund - This fund is used to account for specific governmental revenue sources that are legally restricted to expenditures for records modernization.

Other Fund Type

- Internal Service Fund - This fund is used to report funded and accrued compensated absences.
- Agency Funds - These funds are used to account for the assets held by the Clerk 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 are recognized in the accounts and reported in the fund financial statements and relates to the timing of the measurements made.

The accompanying special-purpose financial statements have been prepared using the modified accrual basis of accounting for all Governmental Funds and Fiduciary Funds (Agency 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 special-purpose statements of the Proprietary Fund (Internal Service Fund) are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Clerk considers receivables collected within 30 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: charges for services and interest earned.

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

Budgets for the Court-related functions (the Courts) for each Clerk will be submitted by June 1 to be approved by the legislature. All court revenues are collected monthly and available for use by the Clerks in the month following collection. Beginning November 1st and by the 10th day of the each month, the Clerks will submit that portion of all fines, fees, service charges, and costs collected in the previous month that exceeds one-twelfth of the Clerks' total budget. The remainder of the available revenues will be appropriated for the following month's court expenditures up to the budget cap authorized by the legislature. Any revenue deficits will be certified by the Florida Clerk of the Court Operations Corporation. Any unexpended appropriation for the court's budget will be paid to the State by January 25 of the following year.

Expenditures, other than those for certain agency funds, are controlled by appropriations in accordance with the budget requirements set forth in the *Florida Statutes*. Budgets are adopted for governmental and special revenue funds. Budgetary control is exercised at the fund level. Budgetary changes within the fund are made at the discretion of the Clerk. Appropriations lapse at the end of the fiscal year to the extent they have not been expended.

The budgeted revenues and expenditures in the accompanying budgetary comparison statements reflect all approved amendments.

Florida Statutes, Section 218.35 governs the preparation, adoption, and administration of the annual budget. The Clerk establishes an annual budget for his office which clearly reflects the revenues available to the office and the functions for which money is expended.

The Clerk prepares his budget in three parts:

1. The budget relating to the requirements of the Clerk as the Ex Officio Clerk to the Board, County Auditor, County Recorder, and Custodian or Treasurer of all County funds and other county-related duties, and for Chapter 29 obligations;
2. The budget relating to the Florida court system, which is filed with the Clerk of Courts Operations Corporation (CCOC). With the 2009 legislative changes, CCOC will submit a Legislative Budget Request for all clerks that will result in an appropriation by the legislature; and
3. The budget for all other operations.

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

The annual budgetary data reported for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States and represent the Clerk's adopted budget, the original appropriation ordinance, and budget amendments approved by the Clerk or as adopted by the Board.

Inventories

Inventories 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.

Investments

Investments are made in 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 Clerk liquidates and reallocates investments throughout the year depending on whether the external pool authorized by *Florida Statutes* or the interest bearing accounts with approved public depositories provide the most favorable interest rates.

Capital Assets

Capital assets purchased in the governmental fund type are recorded as expenditures (capital outlay) at the time of purchase. Such assets are reported as capital assets in the Statement of Net Position in the county-wide financial statements of Leon County, Florida.

Liability for Compensated Absences

The Clerk accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. The Clerk is not legally required to accumulate expendable available financial resources to liquidate this obligation. However, the funding for the Courts from the State of Florida has been decreasing since 2004. The possibility exists that future funding may be further reduced. To minimize the impact on future budgets, the Clerk has decided to fully fund the cost of the liability. Accordingly, an internal service fund has been established to record the liability for the compensated absences earned but not yet paid for in the General Fund, the Article V Court Operating Fund, and the Records Modernization Fund. The current and long-term portion of the liability for compensated absences is reported as an obligation of the general fund on the county-wide Statement of Net Position for Leon County, Florida.

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

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 statements.

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.

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.

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Other Postemployment Benefits

The Clerk through Leon County offers retiree medical and life insurance benefits for qualifying Clerk employees that have retired from a Florida Retirement System (FRS) retirement plan. The premium associated with these benefits is paid by the qualifying employee.

Distribution of Excess Revenues

Section 218.36, *Florida Statutes* requires that the Clerk distribute any excess of revenues over expenditures within the General Fund to the Board within 31 days following the end of the fiscal year. Accordingly, the amount of excess revenues distributed to the Board at the end of the year is presented in the accompanying Special-Purpose Financial Statements as “other financing uses.”

Based on the legal opinion provided by Clerks of Court Operations Corporation (CCOC) general counsel of the provisions of Section 28.37(3), F.S., which was adopted as policy by the CCOC Finance and Budget Committee, all excess court-related funds have been included in a fund liability, Due to Other Governments.

Note 2. Cash and Investments

Cash

Cash consists of demand deposits held at qualified public depositories. At September 30, 2017, the carrying amount of the Clerk’s deposits (including agency funds) was \$9,270,688. Deposits in excess of federal depository insurance are covered by deposits held in banks that are members of the State of Florida’s Collateral Pool.

Investments

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The Clerk’s investment practices are governed by Section 218.415(17), *Florida Statutes*. Investments authorized by Section 218.415(17), *Florida Statutes* include:

1. The Florida PRIME (formerly the Local Government Surplus Funds Trust Fund) administered by the State Board of Administration or any authorized intergovernmental investment pool.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 2. Cash and Investments (continued)

Investments (continued)

3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.

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. 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). Historically, the SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality.

To provide liquidity for operations during the fiscal year, the Clerk invested in the SPIA. The financial details and disclosures for SPIA are made in Note 2 of the State of Florida Comprehensive Annual Financial Report (CAFR). The fair value factor for SPIA at September 30, 2017, was 0.9975. 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.

At September 30, 2017, the Clerk had \$72,587 invested in SPIA and reported at fair market value. The current rating for SPIA is A+f by Standard and Poors. A copy of SPIA's most recent financial statements can be found at http://www.fltreasury.org/fs_01.html.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of investments. One method of managing interest rate risk is the duration method, which measures a debt investment’s exposure to fair value changes arising from changing interest rates. The longer the effective duration of the investment the greater the potential variability of the investment’s fair value as a result of future changes in interest rates.

The effective duration of the SPIA at September 30, 2017, is 2.89 years.

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 3. Compensated Absences

As discussed in Note 1, the liability associated with compensated absences is reported on the fund level in the internal service fund. A summary of the Clerk's liability for compensated absences included at the county-wide financial statement level is as follows with \$293,350 as the current portion:

	Balance October 1, 2016	Additions	(Retirements)	Balance September 30, 2017
Liability for compensated absences	<u>\$ 549,159</u>	<u>\$ 563,211</u>	<u>\$ (559,900)</u>	<u>\$ 552,470</u>

Note 4. Risk Management

The Clerk participates in the Leon County Insurance Service Fund, which accounts for self-insurance activities relating to workers' compensation. This fund is administered by a third party administrator. The Clerk makes payments to the Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims. The contribution required for the year ended September 30, 2017, was \$23,980. Excess payments are recorded as a designation of retained earnings for catastrophic losses on the books of Leon County. Excess coverage with a commercial carrier is also in force for each claim exceeding \$500,000.

Note 5. 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 Clerk 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 in the Leon County, Florida Comprehensive Annual Financial Report (Leon County CAFR) rather than in these Special-Purpose Financial Statements.

All full-time employees of the Clerk, except those excluded pursuant to Section 121.4501, *Florida Statutes*, 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 Leon County CAFR. Contributions and benefits are established in Section 121.71, *Florida Statutes*.

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 5. Employees' Retirement Plan (continued)

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. Employees who are not participating in the Deferred Retirement Option Plan (DROP) are required to contribute 3% of their salary to the FRS.

The Clerk 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 Leon County CAFR.

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, 2017, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The total retirement contributions for the fiscal years ended September 30, 2017, 2016, and 2015 were \$585,473, \$562,242, and \$561,638, 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 6. Other Postemployment Benefits

Plan Description

The Clerk participates in an agent multiple-employer plan administered by Leon County, Florida 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 of County Commissioners. A stand alone financial report is not issued for the Program. As described in Note 1, the Clerk is an elected Constitutional Officer of the County. The financial statements of the Clerk are fund statements considered to be special-purpose financial statements consistent with accounting practices by the Auditor General, State of Florida. Accordingly, the annual OPEB obligation of Constitutional Officers is recognized in the government-wide financial statements of the County rather than in these Special-Purpose Financial Statements.

Clerk of the Circuit Court and Comptroller
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 7. 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 Clerk had no outstanding encumbrances at September 30, 2017.

Note 8. Operating Leases

The Clerk leases office equipment and building space under operating leases expiring in various years through 2023.

Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2017, for each of the next five years and in the aggregate are as follows:

<u>September 30,</u>	<u>Amount</u>
2018	\$ 88,368
2019	61,500
2020	61,500
2021	61,500
2022	61,500
Thereafter	<u>46,125</u>
Total	<u>\$ 380,493</u>

Rent expense paid during the fiscal year ended September 30, 2017 was \$86,684.

Note 9. Related Party Transaction

The Clerk has a written agreement to rent office space from the Leon County Tax Collector for its customer service location. Under this agreement the Clerk paid \$61,500 to the Leon County Tax Collector during the year ended September 30, 2017.

Note 10. Subsequent Events

The Clerk has evaluated subsequent events through February 19, 2018, the date the financial statements were available to be issued.

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, 2017

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 Clerk of the Circuit Court and Comptroller
Leon County, Florida

We have audited, 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, the special-purpose financial statements of the Clerk of the Circuit Court and Comptroller of Leon County, Florida (Clerk) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Clerk's special-purpose financial statements, and have issued our report thereon dated February 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements, we considered the Clerk'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 Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk'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 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.

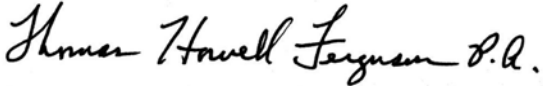
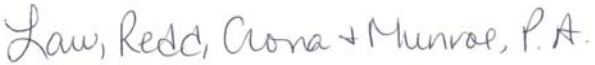
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Clerk'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 Clerk's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We have issued a management letter to the Clerk of the Circuit Court and Comptroller of Leon County, Florida dated February 19, 2018, presenting certain required disclosures and comments pursuant to the *Rules of the Auditor General*, Chapter 10.550.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
February 19, 2018

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

Independent Accountants' Report on Compliance with
Florida Statutes Section 218.415, Sections 28.35 & 28.36, and Section 61.181

September 30, 2017

Independent Accountants' Report on Compliance with
Florida Statutes Section 218.415, Sections 28.35 & 28.36, and Section 61.181

The Honorable Clerk of the Circuit Court and Comptroller
Leon County, Florida

We have examined the Clerk of the Circuit Court and Comptroller of Leon County, Florida's (Clerk) compliance with the requirements of Florida Statutes Section 218.415, Sections 28.35 & 28.36, and Section 61.181, during the year ended September 30, 2017. Management is responsible for the Clerk's compliance with those requirements. Our responsibility is to express an opinion on the Clerk'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 Clerk'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 Clerk's compliance with specified requirements.

In our opinion, the Clerk complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Clerk 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. *Law, Redd, Crona & Munroe, P.A.*

Thomas Howell Ferguson P.A.
Tallahassee, Florida
February 19, 2018

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

Management Letter

September 30, 2017

Management Letter

The Honorable Clerk of the Circuit Court and Comptroller
Leon County, Florida

Report on the Financial Statements

We have audited the special-purpose financial statements of the Clerk of the Circuit Court and Comptroller of Leon County, Florida (Clerk), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated February 19, 2018.

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

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 Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated February 19, 2018, 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 findings 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 of the reporting entity are disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Clerk has no component units.

Financial Management

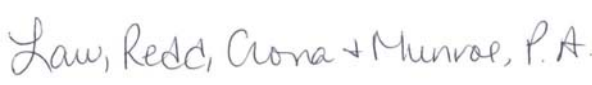
Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate 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 note any such findings.

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 Clerk of the Circuit Court and Comptroller 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.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
February 19, 2018

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

Special-Purpose Financial Statements

Property Appraiser
Leon County, Florida

*September 30, 2017
with Independent Auditors' Report*

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

Property Appraiser
Leon County, Florida

Special-Purpose Financial Statements

Year ended September 30, 2017

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Independent Auditors' Report

The Honorable Property Appraiser
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the governmental fund (General Fund) of the Property Appraiser of Leon County, Florida (Property Appraiser), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Property Appraiser's special-purpose 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 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 from 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 auditors' 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 fund (General Fund) of the Property Appraiser of Leon County, Florida, as of September 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison statements of the General Fund 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 the changes in financial position of the governmental fund of only that portion that is attributable to the transactions of the Property Appraiser. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2017, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2018 on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Property Appraiser's internal control over financial reporting and compliance.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 9, 2018



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

Property Appraiser
Leon County, Florida
Balance Sheet - General Fund
September 30, 2017

Assets

Cash and cash equivalents	\$ 200,867
Investments	25,065
Total assets	<u>\$ 225,932</u>

Liabilities and fund balance

Liabilities:

Accounts payable and other liabilities	\$ 39,031
Due to other county units	186,546
Due to other governments	355
Total liabilities	<u>225,932</u>

Fund balance:

Unassigned	<u>0</u>
Total liabilities and fund balance	<u>\$ 225,932</u>

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

Property Appraiser
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 0	\$ 0	\$ 10,051	\$ 10,051
Interest	0	0	353	353
Total revenues	0	0	10,404	10,404
Expenditures				
Current:				
General government:				
Personnel services	4,305,068	4,402,320	4,255,387	146,933
Operating	774,377	677,718	645,613	32,105
Capital outlay	73,500	73,500	66,028	7,472
Total expenditures	5,152,945	5,153,538	4,967,028	186,510
(Deficiency) excess of revenues (under) over expenditures	(5,152,945)	(5,153,538)	(4,956,624)	196,914
Other financing sources (uses)				
Transfers in	5,152,945	5,153,538	5,143,525	(10,013)
Transfers out	0	0	(186,901)	(186,901)
Total other financing sources (uses)	5,152,945	5,153,538	4,956,624	(196,914)
Net change in fund balance	0	0	0	0
Fund balance at beginning of year	0	0	0	0
Fund balance at end of year	\$ 0	\$ 0	\$ 0	\$ 0

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

Property Appraiser
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Property Appraiser operates as a county agency and an elected Constitutional Officer of Leon County (the County) pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Property Appraiser is a separate constitutional officer as provided by Chapter 218, *Florida Statutes*. Leon County is a charter county which allows for the same powers and duties as provided by 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 Property Appraiser is considered to be a part of the primary government of Leon County, Florida, and is included in the Leon County, Florida Comprehensive Annual Financial Report (Leon County CAFR). The financial statements contained herein represent the financial transactions of the Property Appraiser only.

The accounting policies of the Property Appraiser conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Presentation

These special-purpose 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

The financial activities of the Property Appraiser are recorded in the following fund:

Governmental Fund Type

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

Basis of Accounting

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

The accompanying special-purpose financial statements have been prepared using the modified accrual basis of accounting for all Governmental Funds. Accordingly, revenues are recognized when measurable and available to

Property Appraiser
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

pay liabilities of the current period. Expenditures are generally recorded when the liability is incurred and/or will be paid from expendable available financial resources.

The Property Appraiser considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. In accordance with that definition, charges for services and interest earned are considered to be susceptible to accrual.

Budgets and Budgetary Accounting

Section 195.087, *Florida Statutes*, governs the preparation, adoption, and administration of the Property Appraiser's annual budget. The budget and the subsequent budget amendments of the Property Appraiser are submitted to the Florida Department of Revenue for approval. A copy of the budget is furnished to the Leon County Board of County Commissioners (the Board) at the same time.

Line item expenditures in excess of budget are authorized to the extent that total expenditures do not exceed the total budgeted expenditures. Budget transfers between appropriation categories (personal services, operating expenses, capital outlay, debt service, and non-operating) must be approved in writing by the Florida Department of Revenue. Transfers between expense items within the same appropriation category do not need written approval from the Florida Department of Revenue. The budget is prepared on the modified accrual basis of accounting. General Fund appropriations lapse at the close of the fiscal year to the extent they have not been expended. The budgeted revenues and expenditures in the accompanying Statement of Revenues, Expenditures and Changes in Fund balance – Budget and Actual, reflect all approved amendments.

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 Property Appraiser had no outstanding encumbrances at September 30, 2017.

Investments

Investments in external pools that follow SEC Rule 2a-7 regulations are reported at amortized cost, which approximates fair value.

Capital Assets

Capital assets purchased in the Governmental Fund Type are recorded as expenditures (capital outlay) at the time of purchase. The tangible personal property used by the Property Appraiser is reported as capital assets, at cost, in the Statement of Net Position in the Leon County CAFR.

Property Appraiser
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Liability for Compensated Absences

It is the Property Appraiser's policy to grant all full-time employees annual leave based on the number of years of continuous employment for agencies operating under the Florida Retirement System. Annual leave accrued above 240 hours is transferred to sick leave at the end of each calendar year. Upon termination of employment, the employee can receive a cash benefit based upon the employee's current wage rate and the annual leave not taken.

Sick leave is accumulated at the rate of eight hours for each full calendar month of continuous employment. Employees who have transferred from an agency operating under the Florida Retirement System with no break in service may transfer up to 240 sick leave hours. There is no limit on the amount of sick leave that can be accumulated. At the end of each calendar year, employees with 240 or more hours of sick leave may bank up to 24 hours of leave. At the time of separation, employees with eight years or more continuous employment with the Property Appraiser receive payment based upon the employee's current wage rate for 25% of accumulated sick leave. If the separation is due to retirement, those employees also receive payment based upon the employee's current wage rate for 100% of banked sick leave.

The Property Appraiser uses the vesting method to calculate the liability for compensated absences. The Property Appraiser does not and is not legally required to, accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the General Fund, but is included in the Statement of Net Position in the Leon County CAFR.

Transfers In and Out

The Board funds primarily all of the operating budget of the Property Appraiser. The payments by the Board to fund the operations of the Property Appraiser are recorded as transfers in on the financial statements of the Property Appraiser. In accordance with *Florida Statutes*, the Property Appraiser distributes all General Fund revenues in excess of expenditures to the Board within 31 days following the end of the fiscal year. Repayments to the Board are recorded as a liability and as transfers out on the financial statements of the Property Appraiser.

Related Organizations - Common Expenses

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

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

Property Appraiser
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Other Postemployment Benefits

The Property Appraiser through Leon County offers retiree medical and life insurance benefits for the qualifying Property Appraiser employees that have retired from a Florida Retirement System (FRS) pension plan. The premium associated with these benefits is paid by the qualifying employee.

Note 2. Cash and Investments

Cash and Cash Equivalents

The Property Appraiser maintains checking and money market accounts at two banks designated by the Florida Division of Treasury as qualified public depositories. At September 30, 2017, the carrying amount of the Property Appraiser's deposits with the financial institutions was \$200,867 and the bank balances were \$505,483. Deposits whose values exceed the limits of Federal depository insurance are entirely insured or collateralized pursuant to Chapter 280, *Florida Statutes*.

Investments

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The Property Appraiser is authorized to invest in all state-approved investments identified in Section 218.415(17), *Florida Statutes*, which include:

- 1) The Florida PRIME (formerly the Local Government Surplus Funds Trust Fund) administered by the State Board of Administration 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.

The Property Appraiser has no investment policy that would further limit its investment choices.

The Property Appraiser invests in the Florida PRIME administered by the Florida State Board of Administration (SBA). The Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund.

Property Appraiser
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 2. Cash and Investments (continued)

Investments (continued)

The 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 the 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, 2017, the Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one and three-month LIBOR rates.

These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. The current rating for the Florida PRIME is AAAm by Standard and Poors. The dollar weighted average days to maturity of the Florida PRIME at September 30, 2017 is 51 days. The fair value of the Property Appraiser's position in the pool approximates the value of the pool shares. At September 30, 2017, the Property Appraiser had \$25,065 invested with Florida PRIME.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the government's deposits may not be returned to it or the organization 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 Property Appraiser's deposits are therefore considered fully insured or collateralized.

The investment in the Florida PRIME is not classified as to custodial risk since the investment is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Property Appraiser limits interest rate risk for the money market fund by utilizing an overnight sweep agreement to invest excess cash balances.

The most recent Florida Prime audited financial statements can be obtained at www.sbafla.com/prime/audits/tabid/582/default.aspx.

Property Appraiser
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 3. 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 Property Appraiser 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 in the Leon County CAFR rather than in these Special-Purpose Financial Statements.

All full-time and permanent part-time employees of the Property Appraiser are eligible to participate in the Florida Retirement System (FRS). The FRS includes various plans, including a defined benefit public employee pension plan, which is primarily a cost-sharing multiple-employer defined benefit plan administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates, and vesting requirements by membership category is provided in the Leon County CAFR. Contributions and benefits are established by Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined blended rates established by the state of Florida, that expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Beginning July 1, 2011, active employees are required to contribute three percent of their gross compensation to the retirement plan.

The Property Appraiser 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 Leon County CAFR.

The HIS Program is funded by required contributions from FRS participating employers as set by the 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, 2017, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2017, 2016, and 2015 were \$380,274, \$375,284, and \$374,521, respectively, which is equal to the required contribution for each year.

The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, Post Office Box 9000, Tallahassee, Florida 32315-9000, or by calling 850-488-5706.

Property Appraiser
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 4. Other Postemployment Benefits

Plan Description

The Property Appraiser participates in an agent multi-employer plan administered by 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 of County Commissioners. A stand alone financial report is not issued for the Program. As described in Note 1, the Property Appraiser is an elected Constitutional Officer of the County. The financial statements of the Property Appraiser are fund statements considered to be special-purpose financial statements consistent with accounting practices by the Auditor General, State of Florida. Accordingly, the annual OPEB obligation of Constitutional Officers is recognized in the Leon County CAFR rather than in these Special-Purpose Financial Statements.

Note 5. Risk Management

The Property Appraiser participates in the Leon County Insurance Service Fund, which accounts for self-insurance activities relating to workers' compensation. This fund is administered by a third-party administrator. The Property Appraiser makes payments to the Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims. The contribution required for the year ended September 30, 2017 was \$8,068. Excess payments are recorded as a designation of retained earnings for catastrophic losses on the books of Leon County. Excess coverage with a commercial carrier is also in force for each claim exceeding \$500,000.

Note 6. Long-Term Liabilities

A summary of the Property Appraiser's liability for compensated absences is as follows:

	Balance October 1, 2016	Additions	(Retirements)	Balance September 30, 2017
Liability for compensated absences	<u>\$ 846,756</u>	<u>\$ 227,255</u>	<u>\$ (425,311)</u>	<u>\$ 648,700</u>

Of the \$648,700 liability for accrued compensated absences, management estimates that \$166,409 will be due and payable within one year. The liability is not reported in the financial statements of the Property Appraiser since it is not payable from available resources at September 30, 2017. As discussed in Note 1, the liability is reported on the Statement of Net Position in the Leon County CAFR.

Property Appraiser
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 7. Fund Balance

The Governmental Accounting Standards Board's Statement No. 54, effective for fiscal years beginning after June 15, 2010, requires that all fund balances be classified into one of the following categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. All remaining funds of the Property Appraiser as of the end of the fiscal year are remitted back to the Board as excess fees.

Note 8. Contingencies

Litigation

Various suits and claims arising in the ordinary course of operations are pending against the Property Appraiser. These primarily relate to property assessments within Leon County. The ultimate effect of such litigation cannot be ascertained at this time. In the opinion of management for the Property Appraiser, the liabilities which may arise from such action would not result in losses which would materially affect the financial position of the Property Appraiser or its operations. In the event property assessment claims are resolved in favor of plaintiffs/claimants, such settlements would be funded, if at all, by the Board.

Note 9. Subsequent Events

The Property Appraiser has evaluated subsequent events through March 9, 2018, the date the financial statements were available to be issued.

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, 2017

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 Property Appraiser
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 special-purpose financial statements of the Property Appraiser of Leon County, Florida (Property Appraiser) as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Property Appraiser's special-purpose financial statements, and have issued our report thereon dated March 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the special-purpose financial statements, we considered the Property Appraiser'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 Property Appraiser's internal control. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser'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 Property Appraiser'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Property Appraiser'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 Property Appraiser's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We have issued a management letter to the Property Appraiser of Leon County, Florida, dated March 9, 2018, presenting certain required disclosures and comments pursuant to the *Rules of the Auditor General*, Chapter 10.550.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 9, 2018



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, 2017

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

The Honorable Property Appraiser
Leon County, Florida

We have examined the Property Appraiser of Leon County, Florida's (Property Appraiser) compliance with local government investment policies provided in Section 218.415, *Florida Statutes*, during the year ended September 30, 2017. Management of the Property Appraiser is responsible for the Property Appraiser's compliance with those requirements. Our responsibility is to express an opinion on the Property Appraiser's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we perform the examination to obtain reasonable assurance about whether the Property Appraiser complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Property Appraiser complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to error or fraud. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Property Appraiser's compliance with specified requirements.

In our opinion, the Property Appraiser complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Property Appraiser 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.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 9, 2018

Law, Redd, Crona & Munroe P.A.

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

Management Letter

September 30, 2017

Management Letter

The Honorable Property Appraiser
Leon County, Florida

Report on the Financial Statements

We have audited the special-purpose financial statements of the Property Appraiser of Leon County, Florida (Property Appraiser), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 9, 2018.

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 Reporting Requirements

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 Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Section 218.415, *Florida Statutes* and Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 9, 2018, 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. We reported no findings or 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 of the reporting entity are disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Property Appraiser has no component units.

Financial Management

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the matters discussed in the Current Year September 30, 2017 Recommendations section of this letter.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 report the following:

Current Year September 30, 2017 Recommendations

2017- 001 Contributions/ Sponsorships and Promotional Expenditures

County property appraisers are not authorized by any constitutional or statutory provision to expend public funds for public relations materials and activities or to make contributions or donations to private individuals or institutions. Two Advisory Legal Opinions from the Florida Office of the Attorney General, AGO 78-101 and AGO 78-151, address the use of public funds by county constitutional officers.

During the current year audit, we noted contributions and sponsorship expenditures to not-for-profit entities totaling \$5,100. In addition, promotional expenditures totaling \$6,852 for items such as vendor/exhibitor fees at local events, tents, banners, folding wagon, table throws, pens, fans and magnets were noted. The employee responsible for the coordination of the aforementioned events is the Director of Community Development, a position created January 1, 2017 at a salary of \$85,000 plus benefits. The job description is as follows:

“The Director of Community Affairs position is responsible for conceptualizing, developing and facilitating the implementation of projects related to community relations and being a valued neighbor in those communities that we serve. This position requires close coordination and communication with managers and the elected official. This individual is required to work successfully with representatives from various communities, organizations, and neighborhoods with respect to the diverse populations and cultures. Also required of this position is to coordinate the office of Property Appraiser employees’ wellness benefits program in conjunction

with the Board of Leon County Commissioners. One should consistently strive to achieve fulfillment of its community relations mission to the greatest extent practicable”

There is also a Deputy Director of Community Affairs position with a salary of \$50,000 annually plus benefits. These two employees perform duties other than sponsorship and promotional activities. As such, we are unable to document and quantify the amount of personnel expenditures associated with contributions/sponsorships and promotional activities.

The type of expenditures referred to above are outside the general powers and duties of the Property Appraiser’s office as outlined in Chapters 192 through 196, *Florida Statutes* and are therefore not authorized by any constitutional or statutory provision. Although a minimal amount of expenditures for the dissemination of information to the public regarding homestead and other property tax exemptions is considered a necessary and reasonable expense to carry out the duties and functions of the Property Appraiser, the amount expended in the current year far exceeds historical amounts.

See attached letter for management’s response.

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 Property Appraiser 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.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 9, 2018



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



AKIN AKINYEMI, R.A.
LEON COUNTY PROPERTY APPRAISER

"We VALUE our community"

Mailing Address

P.O. Box 1750, Tallahassee, FL 32302-1750

June 4, 2018

Mr. Richard H. Law, CPA

Law, Redd, Crona and Munroe, P.A.
2075 Centre Pointe Blvd., Suite 200
Tallahassee, Florida 32308

RE: Audit Report of Leon County Property Appraiser for Fiscal Year Ending September 30, 2017

Dear Mr. Law:

Thank you for your recommendations set forth in the above referenced Audit Report.

We understand where you are coming from and are currently evaluating our practices and procedures to see if anything needs to be done differently.

I place a high value on governmental transparency and fiscal responsibility. In my position as Property Appraiser of Leon County, I am committed to these principles and will continue to balance fiscal responsibility and the need to keep our citizens informed.

Sincerely,

Akin S. Akinyemi, R.A.
Property Appraiser



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Special-Purpose Financial Statements

Sheriff
Leon County, Florida

*September 30, 2017
with Independent Auditors' Report*

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

Sheriff
Leon County, Florida

Special-Purpose Financial Statements

Year Ended September 30, 2017

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Independent Auditors' Report

The Honorable Sheriff
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the Sheriff of Leon County, Florida (Sheriff), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Sheriff's special-purpose 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from 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 auditors' 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 each of the governmental funds and the agency funds of the Sheriff of Leon County, Florida, as of September 30, 2017, the changes in financial position of each of the governmental funds, and the respective budgetary comparison statements for the general fund, the emergency management 911 fees fund and the emergency management grants fund 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 the financial position of each of the governmental funds and the agency funds, and only that portion that is attributable to the transactions of the Sheriff. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2017, 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 this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2018, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts and grant agreements and other matters, included under the heading **Independent Auditor's 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 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 Sheriff of Leon County, Florida's internal control over financial reporting and compliance.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 7, 2018



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

Sheriff
Leon County, Florida
Balance Sheet
Governmental Funds

September 30, 2017

	General Fund	Special Grants Fund	Emergency Management 911 Fees Fund
Assets			
Cash	\$ 4,011,426	\$ 561,496	\$ 0
Investments	1,263,142	0	0
Accounts receivable	34,194	0	0
Due from other funds	220,725	0	440
Due from other county units	20,207	5,043	49,442
Due from other governments	307,049	165,216	0
Inventories	397,875	2,759	0
Prepays	391,124	289	0
Total assets	<u>\$ 6,645,742</u>	<u>\$ 734,803</u>	<u>\$ 49,882</u>
Liabilities and fund balance			
Liabilities:			
Accounts payable	\$ 1,700,627	\$ 13,719	\$ 21,339
Accrued liabilities	4,472,236	3,880	0
Deferred revenue	0	65,807	0
Due to other funds	665	181,876	28,543
Due to other county units	462,547	0	0
Due to other governments	9,667	19	0
Total liabilities	<u>6,645,742</u>	<u>265,301</u>	<u>49,882</u>
Fund balance:			
Nonspendable	788,999	3,048	0
Restricted	0	177,895	0
Assigned	0	288,559	0
Unassigned	(788,999)	0	0
Total fund balance	<u>0</u>	<u>469,502</u>	<u>0</u>
Total liabilities and fund balance	<u>\$ 6,645,742</u>	<u>\$ 734,803</u>	<u>\$ 49,882</u>

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

Inmate Welfare Fund	Emergency Management Grants Fund	Total Governmental Funds
\$ 1,026,436	\$ 95,144	\$ 5,694,502
0	0	1,263,142
56,235	0	90,429
15,531	27,774	264,470
0	16,190	90,882
0	0	472,265
581	0	401,215
0	0	391,413
<u>\$ 1,098,783</u>	<u>\$ 139,108</u>	<u>\$ 8,668,318</u>

\$ 1,146	\$ 0	\$ 1,736,831
13,798	0	4,489,914
0	0	65,807
40,718	2,321	254,123
0	136,787	599,334
0	0	9,686
<u>55,662</u>	<u>139,108</u>	<u>7,155,695</u>

581	0	792,628
0	0	177,895
1,042,540	0	1,331,099
0	0	(788,999)
<u>1,043,121</u>	<u>0</u>	<u>1,512,623</u>
<u>\$ 1,098,783</u>	<u>\$ 139,108</u>	<u>\$ 8,668,318</u>

Sheriff
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds

Year Ended September 30, 2017

	General Fund	Special Grants Fund	Emergency Management 911 Fees Fund
Revenues			
Intergovernmental	\$ 0	\$ 234,131	\$ 0
Charges for services	1,831,164	189,674	0
Fines and forfeitures	0	205,547	0
Miscellaneous	217,147	76,432	0
Total revenues	<u>2,048,311</u>	<u>705,784</u>	<u>0</u>
Expenditures			
Current:			
Judicial:			
Personal services	3,836,829	0	0
Operating	183,888	0	0
Total judicial	<u>4,020,717</u>	<u>0</u>	<u>0</u>
Public Safety:			
Personal services	50,461,400	256,192	249,965
Operating	14,419,468	382,035	463,042
Capital outlay	991,042	69,917	14,085
Total public safety	<u>65,871,910</u>	<u>708,144</u>	<u>727,092</u>
Intergovernmental	<u>2,502,466</u>	<u>113,466</u>	<u>0</u>
Total expenditures	<u>72,395,093</u>	<u>821,610</u>	<u>727,092</u>
Excess of revenues over (under) expenditures	<u>(70,346,782)</u>	<u>(115,826)</u>	<u>(727,092)</u>
Other financing sources (uses):			
Transfers in	70,766,102	0	727,092
Transfers out	(419,320)	0	0
Total other financing sources (uses)	<u>70,346,782</u>	<u>0</u>	<u>727,092</u>
Net change in fund balance	0	(115,826)	0
Fund balance at beginning of year	0	585,328	0
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 469,502</u>	<u>\$ 0</u>

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

Inmate Welfare Fund	Emergency Management Grants Fund	Total Governmental Funds
\$ 0	\$ 120,995	\$ 355,126
1,372,790	0	3,393,628
0	0	205,547
8,291	0	301,870
<u>1,381,081</u>	<u>120,995</u>	<u>4,256,171</u>
0	0	3,836,829
0	0	183,888
<u>0</u>	<u>0</u>	<u>4,020,717</u>
479,112	118,878	51,565,547
621,455	18,307	15,904,307
3,901	0	1,078,945
<u>1,104,468</u>	<u>137,185</u>	<u>68,548,799</u>
<u>0</u>	<u>0</u>	<u>2,615,932</u>
<u>1,104,468</u>	<u>137,185</u>	<u>75,185,448</u>
<u>276,613</u>	<u>(16,190)</u>	<u>(70,929,277)</u>
0	16,190	71,509,384
<u>(100,000)</u>	<u>(106,997)</u>	<u>(626,317)</u>
<u>(100,000)</u>	<u>(90,807)</u>	<u>70,883,067</u>
176,613	(106,997)	(46,210)
866,508	106,997	1,558,833
<u>\$ 1,043,121</u>	<u>\$ 0</u>	<u>\$ 1,512,623</u>

Sheriff
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund

Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 1,422,895	\$ 1,824,948	\$ 1,831,164	\$ 6,216
Miscellaneous	0	217,147	217,147	0
Total revenues	<u>1,422,895</u>	<u>2,042,095</u>	<u>2,048,311</u>	<u>6,216</u>
Expenditures				
Current:				
Judicial:				
Personal services	3,805,071	3,807,534	3,836,829	(29,295)
Operating	<u>184,825</u>	<u>184,825</u>	<u>183,888</u>	<u>937</u>
Total judicial	<u>3,989,896</u>	<u>3,992,359</u>	<u>4,020,717</u>	<u>(28,358)</u>
Public Safety:				
Personal services	49,611,752	50,110,641	50,461,400	(350,759)
Operating	15,154,790	15,243,238	14,419,468	823,770
Capital outlay	<u>1,013,812</u>	<u>1,043,212</u>	<u>991,042</u>	<u>52,170</u>
Total public safety	<u>65,780,354</u>	<u>66,397,091</u>	<u>65,871,910</u>	<u>525,181</u>
Intergovernmental	<u>2,418,747</u>	<u>2,418,747</u>	<u>2,502,466</u>	<u>(83,719)</u>
Total expenditures	<u>72,188,997</u>	<u>72,808,197</u>	<u>72,395,093</u>	<u>413,104</u>
Excess of revenues over (under) expenditures	<u>(70,766,102)</u>	<u>(70,766,102)</u>	<u>(70,346,782)</u>	<u>419,320</u>
Other financing sources (uses):				
Transfers in	70,766,102	70,766,102	70,766,102	0
Transfers out	<u>0</u>	<u>0</u>	<u>(419,320)</u>	<u>(419,320)</u>
Total other financing sources (uses)	<u>70,766,102</u>	<u>70,766,102</u>	<u>70,346,782</u>	<u>(419,320)</u>
Net change in fund balance	0	0	0	0
Fund balance at beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Sheriff
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Emergency Management 911 Fees Fund

Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Miscellaneous	\$ 0	\$ 0	\$ 0	\$ 0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Current:				
Public Safety:				
Personal services	348,381	359,381	249,965	109,416
Operating	1,006,919	935,919	463,042	472,877
Capital outlay	0	60,000	14,085	45,915
Total public safety	<u>1,355,300</u>	<u>1,355,300</u>	<u>727,092</u>	<u>628,208</u>
Total expenditures	<u>1,355,300</u>	<u>1,355,300</u>	<u>727,092</u>	<u>628,208</u>
Excess of revenues over (under) expenditures	<u>(1,355,300)</u>	<u>(1,355,300)</u>	<u>(727,092)</u>	<u>628,208</u>
Other financing sources (uses):				
Transfers in	1,355,300	1,355,300	727,092	(628,208)
Total other financing sources (uses)	<u>1,355,300</u>	<u>1,355,300</u>	<u>727,092</u>	<u>(628,208)</u>
Net change in fund balance	0	0	0	0
Fund balance at beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Sheriff
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Emergency Management Grants Fund

Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 0	\$ 150,784	\$ 120,995	\$ (29,789)
Total revenues	<u>0</u>	<u>150,784</u>	<u>120,995</u>	<u>(29,789)</u>
Expenditures				
Current:				
Public Safety:				
Personal services	121,155	164,959	118,878	46,081
Operating	0	55,764	18,307	37,457
Capital outlay	<u>0</u>	<u>20,927</u>	<u>0</u>	<u>20,927</u>
Total public safety	<u>121,155</u>	<u>241,650</u>	<u>137,185</u>	<u>104,465</u>
Total expenditures	<u>121,155</u>	<u>241,650</u>	<u>137,185</u>	<u>104,465</u>
Excess of revenues over (under) expenditures	<u>(121,155)</u>	<u>(90,866)</u>	<u>(16,190)</u>	<u>74,676</u>
Other financing sources (uses):				
Transfers in	121,155	90,866	16,190	(74,676)
Transfers out	<u>0</u>	<u>0</u>	<u>(106,997)</u>	<u>(106,997)</u>
Total other financing sources (uses)	<u>121,155</u>	<u>90,866</u>	<u>(90,807)</u>	<u>(181,673)</u>
Net change in fund balance	0	0	(106,997)	(106,997)
Fund balance at beginning of year	<u>106,997</u>	<u>106,997</u>	<u>106,997</u>	<u>106,997</u>
Fund balance at end of year	<u>\$ 106,997</u>	<u>\$ 106,997</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Sheriff
Leon County, Florida
Statement of Fiduciary Assets and Liabilities -
Agency Funds

September 30, 2017

Assets

Cash	\$ 639,134
Accounts receivable	1,380
Due from other funds	41,655
Total assets	<u>\$ 682,169</u>

Liabilities

Accounts payable	\$ 31,067
Due to other funds	52,002
Due to other county units	145,532
Due to other governments	2,835
Deposits	450,733
Total liabilities	<u>\$ 682,169</u>

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

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Sheriff operates as a County agency and an elected Constitutional Officer of Leon County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Sheriff is a separate constitutional officer as provided by Chapter 218, *Florida Statutes*. Leon County is a charter county, which allows for the same powers and duties as provided by 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 Sheriff is considered to be a part of the primary government of Leon County, Florida, and is included in the Leon County government-wide annual financial statements. The financial statements contained herein represent the financial transactions of the Sheriff only.

The accounting policies of the Sheriff conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Presentation

These special-purpose 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

The financial activities of the Sheriff are recorded in separate funds, which are categorized and described as follows:

Governmental Fund Types

- *General Fund* — The General Fund is the general operating fund of the Sheriff. This fund is used to account for all financial transactions not required to be accounted for in another fund.
- *Special Grants Fund* — To account for various law enforcement grants and the proceeds of specific revenue sources that are legally restricted to expenditures for specific law enforcement purposes.
- *Emergency Management 911 Fees Fund* — To account for operations related to the 911 fees imposed and collected from local telephone exchange customers. Expenditures are restricted to the establishment and maintenance of an emergency telephone number “911” system.

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Description of Funds (continued)

- *Inmate Welfare Fund* — To account for the operations related to various rehabilitative programs and other expenditures related to inmate welfare.
- *Emergency Management Grants Fund* — To account for grant funds restricted to expenditures for emergency management operations.

Fiduciary Fund Types

- *Agency Funds* — These funds are used to account for assets held by the Sheriff as an agent, including prisoner housing, work release and warrant fees which are remitted to other governmental agencies, restitution, forfeitures and other collections which are remitted to third parties, employee contributions to be used for designated purposes and prisoner deposits which are expended on their personal effects. 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 the method by which revenues and expenditures are recognized in the accounts and reported in the fund financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Governmental Funds and Agency Funds are maintained on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they are received in cash or when they are considered both measurable and available and as such, are susceptible to accrual. Expenditures are recorded when the liability is incurred and/or will be paid from expendable available financial resources.

The Sheriff considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. There are essentially two types of revenue when applying the “susceptible to accrual” concept to intergovernmental revenues. Primarily all grant revenues are recognized on the basis of expenditures incurred for the specific purpose or project. Other revenues are generally unrestricted and are revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if measurable and available to finance expenditures of the current period. The following major revenues are considered susceptible to accrual: charges for services, intergovernmental revenues, grant revenues expended on a cost reimbursement basis, and interest earned.

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

Section 30.49, *Florida Statutes*, governs the preparation, adoption and administration of the Sheriff's annual budget. Line item expenditures in excess of budget are authorized to the extent that total expenditures do not exceed total budgeted expenditures at the fund level. Annual budgets are adopted for all governmental funds except the Special Grants fund, which adopts project-specific budgets, and the Inmate Welfare fund, which is not budgeted. Appropriations lapse at the close of the fiscal year to the extent they have not been expended. The budgeted revenues and expenditures in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, reflect all approved amendments.

Investments

Investments in external pools that follow SEC Rule 2a-7 regulations are reported at amortized cost, which approximates fair value.

Inventories

Inventories consist of supplies and are stated at the lower of cost or market, determined on a first-in, first-out basis. The consumption method is used for all funds whereby the cost is recorded as an expenditure at the time of issuance to the user department.

Capital Assets

The Sheriff is accountable for and thus maintains capital asset records pertaining to the equipment used in his operations. Real property used by the Sheriff is accounted for by the Board of County Commissioners (Board), as the Board holds legal title and is accountable for such assets under Florida law.

Capital assets purchased in the governmental fund types costing \$1,000 or more and having a useful life in excess of one year are recorded as capital outlay expenditures at the time of purchase. The tangible personal property used by the Sheriff is reported as capital assets, at cost, in the Statement of Net Position in the government-wide financial statements of Leon County, Florida. Donated and confiscated capital assets are recorded in the County's Statement of Net Position at fair value at the time received. Capital assets are depreciated using the straight-line method over 5 to 20 years. Depreciation expense is recorded in the Statement of Activities in the government-wide financial statements of Leon County, Florida.

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Liability for Compensated Absences

Permanent full-time employees receive annual vacation and sick leave and compensatory leave based on policies determined by the Sheriff.

- a. Annual leave is earned biweekly as follows:

<u>Years of Service</u>	<u>Hours</u>
First 5	3.75
5-10	4.75
10-15	5.75
15-20	6.50
20 or more	7.50

Accumulated annual leave balances shall be limited based on years of service as follows:

<u>Years of Service</u>	<u>Hours</u>
First 10	240
10-20	360
20 or more	500

An employee's total annual leave may exceed the annual limit during a calendar year, but will be reduced to the above limited hours on the first pay period for the following year if not taken by the employee prior to that date. Employees who have reached permanent status and who separate in good standing shall be paid for the accrued time at their current rate of pay, not to exceed the limitations noted above.

- b. Each employee earns 3.75 hours of sick leave biweekly that may be accumulated without limits. Accrued sick leave is paid out upon separation of service, based on the following percentages:

First 5 Years of Service	0%
5-20 Years of Service	25%
20 or More Years of Service	50%
Death of Employee	75%
Death (in the line of duty)	100%

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Liability for Compensated Absences (continued)

- c. An employee may also accumulate up to 240 hours of compensatory leave in addition to earned annual and sick leave. Any employee who terminates shall be paid for all accrued compensatory leave at their current rate of pay.

The Sheriff uses the vesting method to calculate the liability for compensated absences. The Sheriff does not, nor is he legally required to, accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the Sheriff's General Fund, but is included in the Statement of Net Position in the government-wide financial statements of Leon County, Florida.

Other Postemployment Benefits

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

Transfers In and Out

The Board funds the majority of the operating budget of the Sheriff. The payments by the Board to fund the operations of the Sheriff are recorded as transfers in on the financial statements of the Sheriff. In accordance with *Florida Statutes*, the Sheriff distributes all general fund revenues in excess of expenditures to the Board within 31 days following the end of the fiscal year. These excess fees are reported as a liability and as operating transfers out to the Board on the financial statements of the Sheriff.

Common Expenses

Certain expenses for occupancy costs, which are common to the Board and all Constitutional Officers, are reported as expenses of the Board and, therefore, are not budgeted by or allocated to the Sheriff.

Fund Balances

Fund Balance is the difference between assets and liabilities on the governmental fund statements.

The County has a financial policy that defines the different fund balance classifications for governmental funds and the order that the resources are used. There are five classifications of fund balance for governmental funds.

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

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Fund Balances (continued)

Restricted Fund Balance - Balances are comprised of funds that have legally enforceable constraints placed on their use or have externally imposed restrictions by resource providers, creditors, grantors, contributors, voters, inter-local agreements, 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.

Note 2. Cash and Investments

As of September 30, 2017, the Sheriff had the following in cash and investments:

	<u>Carrying Amount</u>
Cash on Hand	\$ 777
Deposits in Qualified Public Depositories	6,332,859
Florida PRIME	83,229
Florida Safe Investment Pool	<u>1,179,913</u>
Total Cash and Investments	<u><u>\$ 7,596,778</u></u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 2. Cash and Investments (continued)

Credit Risk (continued)

The Sheriff is authorized to invest in all state-approved investments identified in Section 218.415(17), *Florida Statutes*, which include:

1. The Florida PRIME (formerly the Local Government Surplus Funds Trust Fund) administered by the State Board of Administration; 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.

The Sheriff has no investment policy that would further limit its investment choices.

The Sheriff invests in Florida PRIME, administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2017, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one and three-month LIBOR rates.

These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. The current rating for the Florida PRIME is AAAm by Standard and Poors. The weighted average days to maturity of the Florida PRIME at September 30, 2017 is 51 days. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The fair value of the Sheriff's position in the pool approximates the value of the pool shares. At September 30, 2017, the Sheriff had \$83,229 invested with the Florida PRIME.

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 2. Cash and Investments (continued)

Credit Risk (continued)

The Sheriff also invests in the Florida Surplus Asset Fund Trust (FLSAFE), a local government investment pool governed by Section 218.415, *Florida Statutes*, that provides for pooling of Florida's local government funds. FLSAFE is an external investment pool that is not a registrant with the SEC; however, the FLSAFE has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. FLSAFE is managed by Prudent Man Advisors, Inc., a registered investment advisor, and the trust's investments are held in custody by BMO Harris Bank N.A. Oversight for the pool is provided by a Board of Trustees consisting of members who represent participating local government entities. The trust invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, money market funds and deposits held in qualified public depositories. The current rating for the FLSAFE is AAAM by Standard and Poors. The weighted average days to maturity of the FLSAFE at September 30, 2017, is 25 days. Investments in the FLSAFE are not evidenced by securities that exist in physical or book entry form. The fair value of the Sheriff's position in the pool approximates the value of the pool shares. At September 30, 2017, the Sheriff had \$1,179,913 invested with the FLSAFE.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the government's deposits may not be returned to it or the organization 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 custodians 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 Sheriff's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2017, were \$9,107,071. The investments in the Florida PRIME and the FLSAFE Investment Pool are not classified as to custodial risk since the investments are not evidenced by securities that exist in physical or book entry form. There were no losses during the period due to default by counterparties to investment transactions.

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 3. Capital Assets

As discussed in Note 1, tangible personal property used by the Sheriff in operations is reported in the government-wide financial statements of Leon County, Florida. A summary of the changes in capital assets for the year ended September 30, 2017 follows:

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance September 30, 2017</u>
Vehicles and equipment	\$ 30,251,073	\$ 1,263,748	\$ (2,107,975)	\$ 29,406,846

Note 4. Long-Term Liabilities

A summary of changes in the long-term liabilities of the Sheriff follows:

	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance September 30, 2017</u>
Liability for compensated absences	\$ 9,473,823	\$ 3,984,399	\$ (3,194,435)	\$ 10,263,787

Of the \$10,263,787 liability for accrued compensated absences, management estimates that \$2,635,282 will be due and payable within one year. The long-term liabilities are not reported in the financial statements of the Sheriff since they are not payable from available resources at September 30, 2017. As discussed in Note 1, they are reported in the Statement of Net Position as part of the government-wide financial statements of Leon County, Florida.

Note 5. 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 Sheriff 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.

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 5. Employees' Retirement Plan (continued)

All full-time and permanent part-time employees of the Sheriff are eligible to participate in the Florida Retirement System (FRS). The FRS includes various plans, including a defined benefit pension plan, which is primarily a cost-sharing multiple-employer defined benefit public employee pension plan. The defined benefit plan is administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates and vesting requirements by membership category, is provided in the Leon County, Florida Comprehensive Annual Financial Report. Contributions and benefits are established by Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined blended rates established by the state of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Beginning July 1, 2011, employees are required to contribute three percent of their gross compensation to the retirement plan, exclusive of participants in the Deferred Retirement Option Program.

The Sheriff 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 government-wide financial statements of Leon County, Florida.

The HIS Program is funded by required contributions from FRS participating employers as set by the 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, 2017, the contribution rate was 1.66 percent of payroll, pursuant to Section 112.363, *Florida Statutes*.

The contributions paid for the years ended September 30, 2017, 2016 and 2015 were \$7,204,449, \$6,870,541, and \$6,116,797, respectively, which is equal to the required contribution for each year.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, Post Office Box 9000, Tallahassee, Florida 32315-9000, or by calling 850-488-5706.

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 6. Other Postemployment Benefits

The Sheriff participates in an agent multiple-employer plan administered by Leon County, Florida (the County) under which qualified retired employees and their spouses are permitted to participate in the health and life insurance benefits program (the Program). 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. The health portion of the Program is considered by the County's insurance provider to be community-rated and therefore, no Other Postemployment Benefit (OPEB) obligation is calculated for healthcare. The Program may be amended by the County's Board of County Commissioners. A stand alone financial report is not issued for the Program. As described in Note 1, the Sheriff is an elected Constitutional Officer of the County. The annual OPEB obligation of Constitutional Officers is recognized in the government-wide financial statements of the County.

Note 7. Other Required Individual Fund Disclosures

Individual fund interfund receivable and payable balances at September 30, 2017, were:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 220,725	\$ 665
Special Grants Fund	0	181,876
Emergency Management 911 Fees Fund	440	28,543
Inmate Welfare Fund	15,531	40,718
Emergency Management Grants Fund	27,774	2,321
Agency Funds	41,655	52,002
	<u>\$ 306,125</u>	<u>\$ 306,125</u>

Interfund balances in the Governmental Funds primarily represent repayments due from the funds responsible for particular expenditures to the funds that initially paid for them. Interfund balances in the Agency Funds primarily represent collections from the Inmate Fund that are to be remitted to other governmental entities. Interfund balances are due and payable within one year.

Note 8. Risk Management

Professional Liability

The Sheriff is currently a member of the Florida Sheriffs' Association and participates in the Florida Sheriffs' Self-Insurance Fund. The Self-Insurance Fund administers insurance activities related to professional liability and covers compensatory damages (except back pay), employment benefits, punitive damages, attorney fees or costs awarded to a prevailing Plaintiff, and all legal fees involved in defense of the Sheriff. The contribution required for the year ended September 30, 2017 was \$471,160.

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 8. Risk Management (continued)

Professional Liability (continued)

The limits of the Self-Insurance Fund for the above-mentioned damages, fees and defense costs are \$5,000,000 per incident or occurrence and \$10,000,000 in aggregate for the policy year. Settled claims did not exceed this coverage in the current year.

Automobile Liability

As a member of the Florida Sheriff's Association, the Sheriff participates in the Sheriffs' Automobile Risk Program (SHARP) for automobile liability insurance. Coverage includes liability for bodily injury and property damage, personal injury protection, auto medical payments, bodily injury for uninsured motorists and physical damage. Coverage for physical damage is also maintained on certain vehicles. The contribution required for the year ended September 30, 2017 was \$193,605.

Workers' Compensation

The Sheriff participates in the Leon County Insurance Service Fund, which accounts for self-insurance activities relating to workers' compensation. This fund is administered by a third-party administrator. The Sheriff makes payments to the Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims. The contribution required for the year ended September 30, 2017 was \$728,544. Excess payments are recorded as a designation of net position for catastrophic losses on the books of Leon County. Excess coverage with a commercial carrier is also in force for each claim exceeding \$500,000.

Excess Insurance

In the normal course of jail operations, the Sheriff seeks to limit its exposure to loss for catastrophic medical costs by purchasing insurance under an excess coverage contract. During the year ended September 30, 2017, the Sheriff maintained an excess insurance policy that provides a maximum specific benefit of \$250,000 per covered person, for claims in excess of \$85,000 reported during the annual contract term. The premium required for the year ended September 30, 2017 was \$74,322.

Note 9. 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. There were no encumbrances at September 30, 2017 .

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 10. Commitments and Contingencies

A. Operating Leases

The Sheriff is committed to various operating leases for certain office and radio equipment. Operating leases are generally defined as leases that do not transfer benefits and risks of ownership to the lessee. For the year ended September 30, 2017, total rental and equipment lease expenses were \$134,091. Following is a schedule of future minimum lease payments under the equipment leases as of September 30:

2018	\$ 31,488
2019	31,425
2020	18,187
2021	<u>2,580</u>
Total future minimum lease payments	<u>\$ 83,680</u>

B. Litigation

At September 30, 2017, there were certain claims and legal actions pending against the Sheriff from the normal course of operations. The outcome of these claims and actions is not presently determinable.

At September 30, 2017, there were various other claims and legal actions pending against the Sheriff. These claims are covered through the Sheriff's participation in the Florida Sheriffs' Self-Insurance Fund. In the opinion of the Sheriff's legal counsel, the liabilities which may arise from such actions would be adequately covered by the Self-Insurance Fund.

C. Long-Term Contracts

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

Sheriff
Leon County, Florida
Notes to Special-Purpose Financial Statements

Year Ended September 30, 2017

Note 11. 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.

The Sheriff recognized expenditures totaling \$2,502,466 for service costs of the CDA, and reported a balance due from the CDA of \$34,241 at September 30, 2017 in the General Fund.

Note 12. Emergency Management

Effective April 1, 2017, Emergency Management was transferred from a function of the Leon County Sheriff's Office, 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 to the Board of County Commissioners.

Note 13. Subsequent Events

The Sheriff has evaluated subsequent events through March 7, 2018, the date the special-purpose financial statements were available to be issued.

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, 2017

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 Sheriff
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 special-purpose financial statements of the Sheriff of Leon County, Florida (Sheriff) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Sheriff's special-purpose financial statements, and have issued our report thereon dated March 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements, we considered the Sheriff'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 Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheriff'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 Sheriff'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Sheriff'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 Sheriff's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We have issued a management letter to the Sheriff of Leon County, Florida, dated March 7, 2018, presenting certain required disclosures and comments pursuant to the *Rules of the Auditor General*, Chapter 10.550.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 7, 2018



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, 2017

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

The Honorable Sheriff
Leon County, Florida

We have examined the Sheriff of Leon County, Florida's (Sheriff) compliance with local government investment policies provided in Section 218.415, *Florida Statutes*, during the year ended September 30, 2017. Management of the Sheriff is responsible for the Sheriff's compliance with those requirements. Our responsibility is to express an opinion on the Sheriff's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we perform the examination to obtain reasonable assurance about whether the Sheriff complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Sheriff complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Sheriff's compliance with specified requirements.

In our opinion, the Sheriff complied in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Sheriff 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.

Law, Redd, Crona & Munroe P.A.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 7, 2018

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

Independent Accountants' Report on Compliance
With Sections 365.172 and 365.173, *Florida Statutes*,
Emergency Communications Number E911 System Fund

September 30, 2017

Independent Accountants' Report on Compliance
With Sections 365.172 and 365.173, *Florida Statutes*,
Emergency Communications Number E911 System Fund

The Honorable Sheriff
Leon County, Florida

We have examined the Sheriff of Leon County, Florida's (Sheriff) compliance with emergency communications number E911 system fund requirements provided in Sections 365.172 and 365.173, *Florida Statutes*, during the year ended September 30, 2017. Management of the Sheriff is responsible for the Sheriff's compliance with those requirements. Our responsibility is to express an opinion on the Sheriff's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we perform the examination to obtain reasonable assurance about whether the Sheriff complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Sheriff complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Sheriff's compliance with specified requirements.

In our opinion, the Sheriff complied in all material respects, with the aforementioned requirements during the year ended September 30, 2017.

This report is intended solely for the information and use of the Sheriff 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.

Law, Redd, Crona & Munroe P.A.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 7, 2018

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

Management Letter

September 30, 2017

Management Letter

The Honorable Sheriff
Leon County, Florida

Report on the Financial Statements

We have audited the special-purpose financial statements of the Sheriff of Leon County, Florida (Sheriff), as of and for the fiscal year ended September 30, 2017 and have issued our report thereon dated March 7, 2018.

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

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, AT-C Section 315, regarding compliance requirements in accordance with Sections 218.415, 365.172 and 365.173, *Florida Statutes*, and regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 7, 2018, 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. We reported no findings or 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 of the reporting entity are disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Sheriff has no component units.

Financial Management

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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.

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 Sheriff 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.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 7, 2018



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

Special-Purpose Financial Statements

Supervisor of Elections
Leon County, Florida

*Year Ended September 30, 2017
with Independent Auditors' Report*

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

Supervisor of Elections
Leon County, Florida
Special-Purpose Financial Statements

Year Ended September 30, 2017

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Independent Auditors' Report

The Honorable Supervisor of Elections
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the Supervisor of Elections of Leon County, Florida, (the Supervisor of Elections) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Supervisor of Elections' 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 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 financial position of each of the governmental funds of the Supervisor of Elections of Leon County, Florida as of September 30, 2017, and the changes in financial position thereof, and the respective budgetary comparison of the General Fund and Grants Fund 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, 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 the changes in financial position of only that portion that is attributable to the transactions of the Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2017, 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 this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 13, 2018, on our consideration of the Supervisor of Elections' 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* and should be considered in assessing the results of our audit.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 13, 2018

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

Supervisor of Elections
Leon County, Florida
Balance Sheet - Governmental Funds
September 30, 2017

	General Fund	Grants Fund	Total Governmental Funds
Assets			
Cash	\$ 128,235	\$ 55,173	\$ 183,408
Due from other county units	7,182	0	7,182
Total assets	<u>\$ 135,417</u>	<u>\$ 55,173</u>	<u>\$ 190,590</u>
Liabilities and fund balance			
Liabilities:			
Accounts payable	\$ 101,550	\$ 0	\$ 101,550
Accrued liabilities	33,867	0	33,867
Revenues received in advance	0	47,991	47,991
Total liabilities	<u>135,417</u>	<u>47,991</u>	<u>183,408</u>
Fund balance:			
Restricted	0	7,182	7,182
Total fund balance	<u>0</u>	<u>7,182</u>	<u>7,182</u>
Total liabilities and fund balances	<u>\$ 135,417</u>	<u>\$ 55,173</u>	<u>\$ 190,590</u>

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

Supervisor of Elections
Leon County, Florida

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

Year Ended September 30, 2017

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total Govnermental Funds</u>
Revenues			
Charges for services	\$ 10,956	\$ 0	\$ 10,956
Total revenues	<u>10,956</u>	<u>0</u>	<u>10,956</u>
Expenditures			
Current:			
General government	3,867,007	0	3,867,007
Total expenditures	<u>3,867,007</u>	<u>0</u>	<u>3,867,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,856,051)</u>	<u>0</u>	<u>(3,856,051)</u>
Other financing sources (uses):			
Operating transfers in	4,210,760	7,182	4,217,942
Operating transfers out	(354,709)	0	(354,709)
Total other financing sources (uses)	<u>3,856,051</u>	<u>7,182</u>	<u>3,863,233</u>
Net change in fund balances	0	7,182	7,182
Fund balance at beginning of year	0	0	0
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 7,182</u>	<u>\$ 7,182</u>

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

Supervisor of Elections
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual -General Fund

Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	
Revenues			
Charges for services	\$ 0	\$ 0	\$ 10,956
Interest	0	0	0
Total revenues	<u>0</u>	<u>0</u>	<u>10,956</u>
Expenditures			
Current:			
General government:	<u>4,217,942</u>	<u>4,217,942</u>	<u>3,867,007</u>
Total expenditures	<u>4,217,942</u>	<u>4,217,942</u>	<u>3,867,007</u>
Excess of revenues (under) over expenditures	<u>(4,217,942)</u>	<u>(4,217,942)</u>	<u>(3,856,051)</u>
Other financing sources (uses)			
Operating transfers in	4,217,942	4,217,942	4,210,760
Operating transfers out	<u>0</u>	<u>0</u>	<u>(354,709)</u>
Total other financing sources (uses)	<u>4,217,942</u>	<u>4,217,942</u>	<u>3,856,051</u>
Net change in fund balance	0	0	0
Fund balance at beginning of year	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Supervisor of Elections
Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Grants Fund

Year Ended September 30, 2017

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures				
Current:				
General government	0	0	0	0
Total expenditures	0	0	0	0
Excess of revenues (under) over expenditures	0	0	0	0
Other financing sources (uses)				
Operating transfers in	0	0	7,182	7,182
Total other financing sources (uses)	0	0	7,182	7,182
Net change in fund balance	0	0	7,182	7,182
Fund balance at beginning of year	0	0	0	0
Fund balance at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,182</u>	<u>\$ 7,182</u>

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

Supervisor of Elections
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Supervisor of Elections is an elected Constitutional Officer of Leon County, Florida, pursuant to Article VIII, Section (1) of the Constitution of the State of Florida. For financial statement and reporting purposes, the Supervisor of Elections is a separate constitutional officer as provided by Chapter 218, *Florida Statutes*. Leon County is a charter county which allows for the same powers and duties as provided by 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 Supervisor of Elections is considered to be a part of the primary government of Leon County, Florida, and is included in the Leon County, Florida Comprehensive Annual Financial Report (Leon County CAFR). The financial statements contained herein represent the financial transactions of the Supervisor of Elections only.

The accounting policies of the Supervisor of Elections conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Presentation

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

Description of Funds

The financial activities of the Supervisor of Elections are recorded in the following fund:

Governmental Fund Type

- General Fund - The General Fund is the general operating fund of the Supervisor of Elections. This fund is used to account and report for all financial transactions not required to be accounted for in another fund.
- Grants Fund - The Grants Fund is used to account for grants awarded to the Supervisor of Elections. This fund also includes the corresponding county matching funds for the grants.

Basis of Accounting

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

Supervisor of Elections
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The accompanying financial statements have been prepared using 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. Expenditures are generally recorded when the liability is incurred and/or will be paid from expendable available financial resources.

The Supervisor of Elections considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. In accordance with that definition, charges for services and interest earned are considered to be susceptible to accrual.

Budgets and Budgetary Accounting

Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the *Florida Statutes*. A budget is adopted for the governmental funds. Budgetary control is exercised at the fund level. Budgetary changes within the fund are made at the discretion of the Supervisor of Elections. Appropriations lapse at the end of the fiscal year to the extent they have not been expended.

The budgeted revenues and expenditures in the accompanying budgetary comparison statement reflect all approved amendments.

Section 218.35, *Florida Statutes*, governs the preparation, adoption, and administration of the Supervisor of Elections' annual budget. The Supervisor of Elections establishes an annual budget for its office which clearly reflects the revenues available to the office and the functions for which the money is to be expended.

The annual budgetary data reported for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States and represent the Supervisor of Elections' adopted budget, the original appropriation ordinance, and budget amendments approved by the Supervisor of Elections or as adopted by the Leon County Board of County Commissioners.

Inventories

The Supervisor of Elections uses the purchases method of accounting, whereby the cost of expendable office supplies are expended when purchased.

Supervisor of Elections
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets purchased in the governmental fund are recorded as expenditures (capital outlay) at the time of purchase. The Supervisor of Elections does not maintain fixed asset records. The tangible personal property used by the Supervisor of Elections is reported as capital assets, at cost, in the Statement of Net Position in the Leon County CAFR.

Liability for Compensated Absences

The Supervisor of Elections accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. The Supervisor of Elections does not, nor is he 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 fund. However, the current and long-term portion of the liability for compensated absences is reported in the Leon County CAFR.

Other Postemployment Benefits

The Supervisor of Elections, through Leon County, offers retiree medical and life insurance benefits for the qualifying Supervisor of Elections employees that have retired from a Florida Retirement System (FRS) pension plan. The premium associated with these benefits is paid by the qualifying employee.

Use of Estimates

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

Note 2. Cash

Cash consists of cash on hand and bank balances. At September 30, 2017, the carrying amount of the Supervisor of Elections' deposits was \$183,408. Deposits in excess of federal depository insurance are covered by deposits held in banks that are members of the State of Florida's Collateral Pool.

Supervisor of Elections
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 3. Compensated Absences

As discussed in Note 1, the liability associated with compensated absences is reported at the county-wide financial statement level. A summary of the Supervisor of Elections' liability for compensated absences included in the Leon County CAFR is as follows:

	Balance October 1, 2016	Additions	(Retirements)	Balance September 30, 2017
Liability for compensated absences	\$ 272,292	\$ 213,099	\$ (297,239)	\$ 188,152

Note 4. Risk Management

The Supervisor of Elections obtains workers' compensation insurance coverage through a commercial carrier.

Note 5. 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 Supervisor of Elections are fund statements considered to be special-purpose financial statements consistent with accounting practices prescribed by the Auditor General, State of Florida. Accordingly, the net pension liability is included in the Leon County CAFR rather than in these Special-Purpose Financial Statements.

All full-time employees of the Supervisor of Elections, except those excluded pursuant to Section 121.4501, *Florida Statutes*, 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 Leon County CAFR. 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. Beginning July 1, 2011, employees who are not participating in the Deferred Retirement Option Plan (DROP) are required to contribute 3% of their salary to the FRS.

Supervisor of Elections
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 5. Employees' Retirement Plan (continued)

The Supervisor of Elections 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 Leon County CAFR.

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 included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2017, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The total retirement contributions for the fiscal years ended September 30, 2017, 2016, and 2015 were \$243,269, \$207,398 and \$189,789, 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 6. Other Postemployment Benefits

Plan Description

The Supervisor of Elections 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 of County Commissioners. A stand alone financial report is not issued for the Program. As described in Note 1, the Supervisor of Elections is an elected Constitutional Officer of the County. The financial statements of the Supervisor of Elections are fund statements considered to be special-purpose financial statements consistent with accounting practices by the Auditor General, State of Florida. Accordingly, the annual OPEB obligation of Constitutional Officers is recognized in the Leon County CAFR rather than in these Special-Purpose Financial Statements.

Supervisor of Elections
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 7. Encumbrances

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 Supervisor of Elections had no outstanding encumbrances at September 30, 2017.

Note 8. Fund Balance

Governmental Accounting Standards require that all fund balances be classified into one of the following five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. Fund Balance is the difference between assets and liabilities on the governmental fund statements.

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.

Supervisor of Elections
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 9. Leases

On April 11, 2012, the Supervisor of Elections entered into an operating lease for the rental of space for the voter operations center. On April 27, 2016, the original lease agreement was amended in order to expand the existing floor space. The restated lease agreement provides for monthly rentals, which escalate over the term of the lease. The restated lease commenced on August 22, 2016 for a period of ten years. Minimum future lease payments are as follows:

Fiscal Year Ending September 30,	Amount
2018	\$ 275,400
2019	280,835
2020	286,308
2021	292,197
2022	298,085
2023-2027	<u>1,225,332</u>
Total minimum payments	<u>\$ 2,658,157</u>

Rental expense for the year ended September 30, 2017 was \$269,964.

Note 10. Subsequent Events

The Supervisor of Elections has evaluated subsequent events through March 13, 2018, the date the special-purpose financial statements were available to be issued.

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, 2017

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*

To the Honorable Supervisor of Elections
Leon County, Florida

We have audited, 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, the special-purpose financial statements of the Supervisor of Elections of Leon County, Florida, (the Supervisor of Elections) as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Supervisor of Elections' special-purpose financial statements, and have issued our report thereon dated March 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements, we considered the Supervisor of Elections' 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 Supervisor of Elections' internal control. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections' 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 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 Supervisor of Elections' special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Supervisor of Elections' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Supervisor of Elections' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We have issued a management letter to the Supervisor of Elections dated March 13, 2018, presenting certain required disclosures and comments pursuant to the *Rules of the Auditor General*, Chapter 10.550

Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 13, 2018

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, 2017

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

The Honorable Supervisor of Elections
Leon County, Florida

We have examined the Supervisor of Elections of Leon County, Florida's (Supervisor) compliance with local government investment policies provided in Chapter 218.415, *Florida Statutes*, during the year ended September 30, 2017. Management is responsible for the Supervisor's compliance with those requirements. Our responsibility is to express an opinion on the Supervisor's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we perform the examination to obtain reasonable assurance about whether the Supervisor complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Supervisor complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Supervisor's compliance with specified requirements.

In our opinion, the Supervisor complied in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Supervisor of Elections 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. Law, Redd, Crona & Munroe P.A.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 13, 2018

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

Management Letter

September 30, 2017

Management Letter

To the Honorable Supervisor of Elections
Leon County, Florida

We have audited the special-purpose financial statements of the Supervisor of Elections of Leon County, Florida, (Supervisor of Elections), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 13, 2018.

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

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 Accountants' Report on Compliance with Local Government Investment Policies regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 13, 2018, 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. We reported no findings or 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 of the reporting entity are disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Supervisor of Elections has no component units.

Financial Management

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. In connection with our audit, we did not have any such recommendations.

Additional Matters

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.

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 Supervisor of Elections 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.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 13, 2018

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

Special-Purpose Financial Statements

Tax Collector
Leon County, Florida

*September 30, 2017
with Independent Auditors' Report*

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

Tax Collector
Leon County, Florida

Special-Purpose Financial Statements

Year Ended September 30, 2017

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Independent Auditors' Report

The Honorable Tax Collector
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the governmental fund (General Fund) and the fiduciary fund (Agency Fund) of the Tax Collector of Leon County, Florida (Tax Collector), as of and for the year ended September 30, 2017, and the related notes to the special purpose financial statements, which collectively comprise the Tax Collector's special-purpose 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 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 financial statements are free from 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 auditors' 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 fund (General Fund) and fiduciary fund (Agency Fund) of the Tax Collector of Leon County, Florida, as of September 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison statements of the General Fund 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 governmental fund and fiduciary fund of only that portion that is attributable to the transactions of the Tax Collector. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2017, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2018, on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tax Collector's internal control over financial reporting and compliance.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 9, 2018



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

Tax Collector
Leon County, Florida
Balance Sheet - General Fund
September 30, 2017

Assets

Cash and cash equivalents	\$ 384,948
Due from other funds	<u>161,376</u>
Total assets	<u><u>\$ 546,324</u></u>

Liabilities and fund balance

Liabilities:

Accounts payable	\$ 5,905
Due to other county units	539,685
Due to other governments	<u>734</u>
Total liabilities	<u><u>546,324</u></u>

Fund balance:

Unassigned	<u>0</u>
Total liabilities and fund balance	<u><u>\$ 546,324</u></u>

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

Tax Collector
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 7,631,466	\$ 7,631,466	\$ 7,780,342	\$ 148,876
Interest	0	0	1,644	1,644
Total revenues	<u>7,631,466</u>	<u>7,631,466</u>	<u>7,781,986</u>	<u>150,520</u>
Expenditures				
Current:				
General government:				
Personnel services	5,827,345	5,633,343	5,276,276	357,067
Operating	1,736,551	1,930,553	1,898,837	31,716
Capital outlay	67,570	67,570	67,188	382
Total Expenditures	<u>7,631,466</u>	<u>7,631,466</u>	<u>7,242,301</u>	<u>389,165</u>
Excess of revenues over expenditures	<u>0</u>	<u>0</u>	<u>539,685</u>	<u>539,685</u>
Other financing uses				
Transfers out	0	0	(539,685)	(539,685)
Total other financing uses	<u>0</u>	<u>0</u>	<u>(539,685)</u>	<u>(539,685)</u>
Net change in fund balance	0	0	0	0
Fund balances at beginning of year	0	0	0	0
Fund balances at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Tax Collector
Leon County, Florida
Statement of Fiduciary Assets and Liabilities - Agency Fund
September 30, 2017

Assets

Cash and cash equivalents	\$ 3,939,728
Accounts receivable	165,591
Total assets	<u>\$ 4,105,319</u>

Liabilities

Accounts payable	\$ 635,364
Due to other funds	161,376
Due to other county units	524,728
Due to other governments	1,002,797
Installment tax deposits	1,781,054
Total liabilities	<u>\$ 4,105,319</u>

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

Tax Collector
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Significant Accounting Policies

Reporting Entity

The Tax Collector operates as a county agency and an elected Constitutional Officer of Leon County, Florida (the County) pursuant to Article VIII, Section (1) of the Constitution of the State of Florida. For financial statement and reporting purposes, the Tax Collector is a separate constitutional officer as provided by Chapter 218, *Florida Statutes*. Leon County is a charter county which allows for the same powers and duties as provided by 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 Tax Collector is considered to be a part of the primary government of Leon County, Florida, and is included in the Leon County, Florida Comprehensive Annual Report (Leon County CAFR). The financial statements contained herein represent the financial transactions of the Tax Collector only.

The accounting policies of the Tax Collector conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Presentation

These special-purpose 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

The financial activities of the Tax Collector are recorded in separate funds which are categorized and described as follows:

Governmental Fund Type

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

Fiduciary Fund Type

- Agency Fund - The Agency Fund is used to account for assets held by the Tax Collector 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. Such assets include receipts for property taxes, tourist development taxes, vehicle registrations, driver license fees, birth certificate fees, and hunting and fishing licenses.

Tax Collector
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Significant Accounting Policies (continued)

Basis of Accounting

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

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

The Tax Collector considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. In accordance with that definition, charges for services and interest earned are considered to be susceptible to accrual.

Budgets and Budgetary Accounting

Section 195.087, *Florida Statutes*, governs the preparation, adoption and administration of the annual budget of the Tax Collector. The budget and subsequent budget amendments of the Tax Collector are submitted to the Florida Department of Revenue for approval. A copy of the budget is provided to the Leon County Board of County Commissioners (the Board). Line item expenditures in excess of budget are authorized to the extent that total expenditures do not exceed the total budgeted expenditures. Budget transfers between appropriation categories (personal services, operating expenses, capital outlay, debt service and non-operating) must be approved in writing by the Florida Department of Revenue. Transfers between expense items within the same appropriation category do not need written approval from the Florida Department of Revenue. The budget is prepared on the modified accrual basis of accounting. General Fund appropriations lapse at the close of the fiscal year to the extent they have not been expended. The budgeted revenues and expenditures in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, reflect all approved amendments.

Prepaid Items

Certain payments to vendors are made in advance of the accounting period to which the cost relates. These payments are reported under the purchases method, i.e., expenditures are recorded when payment is made.

Tax Collector
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Significant Accounting Policies (continued)

Capital Assets

Capital assets purchased in the governmental fund type costing \$1,000 or more and having a useful life in excess of one year are recorded as expenditures (capital outlay) at the time of purchase. Capital assets acquired under capital leases are recorded, at cost, as capital outlay expenditures and other financing sources at inception of the capital lease. The tangible personal property used by the Tax Collector is reported as capital assets, at cost, in the Statement of Net Position in the Leon County (CAFR).

The Tax Collector also utilizes certain computer equipment and software for vehicle and boat registrations and driver's license processing which belongs to the State of Florida Department of Highway Safety and Motor Vehicles (DMV) and software licensed to the State of Florida Fish and Wildlife Conservation Commission (FFWCC). The cost of this equipment is not recognized in the Statement of Net Position of the County as title to the equipment is held by DMV and FFWCC.

Liability for Compensated Absences

It is the Tax Collector's policy to grant all full-time employees annual leave based on the number of years of continuous employment for agencies operating under the Florida Retirement System. Annual leave can be accumulated, but is limited to 480 hours for chief deputies, 360 hours for administrators and managers and 240 hours for all other employees. Excess hours at the end of each calendar year are converted to sick leave. Upon termination of employment, the employee can receive a cash benefit based upon the employee's current wage rate and the annual leave not taken, not to exceed 240 hours.

Sick leave is accumulated at the rate of eight hours for each full calendar month of continuous employment. Employees who have transferred from an agency operating under the Florida Retirement System with no break in service may transfer up to 240 sick leave hours. There is no limit on the amount of sick leave that can be accumulated. At the time of termination, employees with six years or more continuous employment for agencies operating under the Florida Retirement System, can receive payments based upon the employee's current wage rate for 25% of accumulated sick leave not to exceed 480 hours.

The Tax Collector uses the vesting method to calculate the liability for compensated absences. The Tax Collector does not and is not legally required to accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the General Fund, but is included in the Statement of Net Position in the Leon County CAFR.

Tax Collector
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 1. Significant Accounting Policies (continued)

Excess Fees Due to Other County Units

The Tax Collector is considered a fee officer because operations are funded primarily by fees for services. No funds are received from the Board other than applicable fees. In accordance with Section 218.36, *Florida Statutes*, the Tax Collector distributes all general fund revenues in excess of expenditures to the Board and other governments on a pro-rata basis within 31 days following the end of the fiscal year. These excess fees are reported as a liability and as transfers out to the Board or deducted from fees earned for amounts distributed to other governments.

Other Postemployment Benefits

The Tax Collector through Leon County offers retiree medical and life insurance benefits for the qualifying Tax Collector employees that have retired from a Florida Retirement System (FRS) pension plan. The premium associated with these benefits is paid by the qualifying employee.

Related Organizations - Service Fees and Common Expenses

The Tax Collector's charges for services includes approximately \$4,900,000 as fees for the collection of real and tangible property taxes and tourist development taxes collected on behalf of the Board.

Certain expenses, which are common to the Board and all Constitutional Officers are reported as expenses of the Board and, therefore, are not budgeted by or allocated to the Tax Collector. These expenses include occupancy costs, janitorial services, and utilities, except telephone, associated with certain Tax Collector offices.

Additionally, property insurance associated with all of the Tax Collector's offices is reported as a common expense by the Board.

Note 2. Cash and Cash Equivalents

Cash consists of cash on hand and demand deposit accounts with banks designated by the Florida Division of Treasury as qualified public depositories. The Tax Collector maintains bank accounts for the General Fund and for the Agency Fund. The amount in the General Fund account and amount over the compensating balance at September 30, 2017 of \$2,564,256 in the Agency Fund account are invested pursuant to an overnight sweep agreement with a financial institution that invests in a money market fund. The compensating bank balance was established in lieu of the bank charges for checking account, transfer and investment services. At September 30, 2017, the carrying amounts of the Tax Collector's General and Agency Fund deposits with financial institutions were \$4,317,701 and the bank balances were \$5,493,143. Deposits whose values exceed the limits of Federal depository insurance are entirely insured or collateralized pursuant to Chapter 280, *Florida Statutes*. Additionally, as of September 30, 2017, the Tax Collector had cash on hand of \$6,975.

Tax Collector
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 3. 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 Tax Collector 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 in the Leon County CAFR rather than in these special-purpose financial statements.

All full-time and permanent part-time employees of the Tax Collector are eligible to participate in the Florida Retirement System (FRS). The FRS includes various plans including a defined benefit plan, which is primarily a cost-sharing multiple-employer defined benefit public employee pension plan administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates and vesting requirements by membership category, is provided in the Leon County CAFR. Contributions and benefits are established by Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined blended rates established by the state of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Beginning July 1, 2011, active employees are required to contribute three percent of their gross compensation to the retirement plan.

The Tax Collector 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 Leon County CAFR.

The HIS Program is funded by required contributions from FRS participating employers as set by the 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, 2017, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions paid for the years ended September 30, 2017, 2016, and 2015 were \$319,305, \$348,774, and \$377,229, respectively, which is equal to the required contribution for each year.

The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, Post Office Box 9000, Tallahassee, Florida 32315-9000, or by calling 850-488-5706.

Tax Collector
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 4. Other Postemployment Benefits

Plan Description

The Tax Collector participates in an agent multi-employer plan administered by 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 of County Commissioners. A stand alone financial report is not issued for the Program. As described in Note 1, the Tax Collector is an elected Constitutional Officer of the County. The financial statements of the Tax Collector are fund statements considered to be special-purpose financial statements consistent with accounting practices by the Auditor General, State of Florida. Accordingly, the annual OPEB obligation of Constitutional Officers is recognized in the Leon County CAFR rather than in these Special-Purpose Financial Statements.

Note 5. Risk Management

The Tax Collector participates in the Leon County Insurance Service Fund, which accounts for self-insurance activities relating to workers' compensation. This fund is administered by a third-party administrator. The Tax Collector makes payments to the Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims. The contribution required for the year ended September 30, 2017 was \$8,242. Excess payments are recorded as a designation of retained earnings for catastrophic losses on the books of Leon County. Excess coverage with a commercial carrier is also in force for each claim exceeding \$500,000.

Note 6. Long-Term Liabilities

A summary of changes in the long-term liabilities of the Tax Collector follows:

	Balance October 1, 2016	Additions	(Retirements)	Balance September 30, 2017
Liability for compensated absences	\$ 452,502	\$ 317,888	\$ (329,925)	\$ 440,465

Of the \$440,465 liability for accrued compensated absences, management estimates that \$187,119 will be due and payable within one year. The above liabilities are not reported in the financial statements of the Tax Collector since they are not payable from available resources at September 30, 2017. As discussed in Note 1, they are reported in the Statement of Net Position in the Leon County CAFR.

Tax Collector
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 7. Commitments Under Operating Leases and Other Licensing Agreements

The Tax Collector has entered into noncancelable operating leases as lessee for office space and office equipment. Some of the real property leases contain provisions for four or five year renewal options, with stated increases or decreases for lease payments. At September 30, 2017, aggregate future minimum payments under non-cancelable operating leases and licensing agreements with remaining terms equal to or exceeding one year are as follows:

Fiscal Year Ending September 30,	Amount
2018	\$ 820,084
2019	663,051
2020	651,960
2021	654,753
2022	657,631
2023-2027	2,821,797
2028-2032	2,797,061
2033	419,558
Total minimum payments	<u>\$ 9,485,895</u>

Lease expenditures incurred under operating leases for the year ended September 30, 2017 were \$1,045,967.

Note 8. Fund Balance

The Governmental Accounting Standards Board's Statement No. 54, effective for fiscal years beginning after June 15, 2010, requires that all fund balances be classified into one of the following categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. All remaining funds of the Tax Collector as of the end of the fiscal year are remitted back to the Board as excess fees.

Note 9. Interfund Receivables and Payables

The Agency Fund amount due to the General Fund of \$161,376 consists of fees on transactions collected by the Agency Fund. These funds were paid shortly after the fiscal year end.

Note 10. 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 Tax Collector had no encumbrances outstanding at September 30, 2017.

Tax Collector
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2017

Note 11. Contingencies

Various suits and claims arising in the ordinary course of operations are pending against the Tax Collector. These primarily relate to property assessments within Leon County. The ultimate effect of such litigation cannot be ascertained at this time. In the opinion of management for the Tax Collector, the liabilities which may arise from such action would not result in losses which would materially affect the financial position of the Tax Collector or its operations.

Note 12. Related Party

The Leon County Clerk's Office reimburses the Tax Collector for the occupancy of office space in a building leased by the Tax Collector. The reimbursement is presented as an offset against operating expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund. Reimbursements to the Tax Collector totaled \$72,359 for the year ended September 30, 2017.

Note 13. Subsequent Events

The Tax Collector has evaluated subsequent events through March 9, 2018, the date the financial statements were available to be issued.

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, 2017

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 Tax Collector
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 special-purpose financial statements of the Tax Collector of Leon County, Florida (Tax Collector) as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Tax Collector's special-purpose financial statements, and have issued our report thereon dated March 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements, we considered the Tax Collector'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 Tax Collector's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector'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 Tax Collector'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Tax Collector'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 Tax Collector's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We have issued a management letter to the Tax Collector of Leon County, Florida, dated March 9, 2018, presenting certain required disclosures and comments pursuant to the *Rules of the Auditor General*, Chapter 10.550.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 9, 2018



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, 2017

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

The Honorable Tax Collector
Leon County, Florida

We have examined the Tax Collector of Leon County, Florida's (Tax Collector) compliance with local government investment policies provided in Section 218.415, *Florida Statutes*, during the year ended September 30, 2017. Management of the Tax Collector is responsible for the Tax Collector's compliance with those requirements. Our responsibility is to express an opinion on the Tax Collector's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we perform the examination to obtain reasonable assurance about whether the Tax Collector complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Tax Collector complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to error or fraud. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Tax Collector's compliance with specified requirements.

In our opinion, the Tax Collector complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Tax Collector 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.

Law Redd Crona & Munroe P.A.

Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 9, 2018

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

Management Letter

September 30, 2017

Management Letter

The Honorable Tax Collector
Leon County, Florida

Report on the Financial Statements

We have audited the special-purpose financial statements of the Tax Collector of Leon County, Florida (Tax Collector), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 9, 2018.

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 Reporting Requirements

We have issued our 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* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Section 218.415, *Florida Statutes* and Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 9, 2018, 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. We reported no findings or 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 of the reporting entity are disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Tax Collector has no component units.

Financial Management

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

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 Tax Collector 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.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
March 9, 2018



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