

# *Leon County, Florida*



## *Annual Financial Report* *For the Fiscal Year Ended September 30, 2016*

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

Leon County, Florida,  
Annual Financial Report

Year ended September 30, 2016

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## **Independent Auditors' Report**

The Honorable Board of County Commissioners  
Leon County, Florida

### **Report on the Financial Statements**

We have audited the accompanying 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, 2016, 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, and the budgetary comparison statements of Leon County, Florida as of September 30, 2016, and the respective changes in financial position and, where applicable, 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.

## **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 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.

### *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 10, 2017

**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, 2016. 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>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> <li>• Revenues for which cash is received during or soon after the end of the year</li> <li>• Expenditures when goods or services have been received and payment is due during the year or soon thereafter</li> </ul>	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 \$270.9 million as compared to \$275.1 million a year ago; this is a decrease of \$4.2 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, 2016 and 2015, 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)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 148,004	\$ 156,325	\$ 17,523	\$ 16,737	\$ 165,527	\$ 173,062
Capital assets	303,144	312,901	11,181	12,780	314,325	325,681
Total assets	451,148	469,226	28,704	29,517	479,852	498,743
Deferred outflows	82,657	35,748	0	0	82,657	35,748
 Total assets and deferred outflows	 533,805	 504,974	 28,704	 29,517	 562,509	 534,491
 Current liabilities	 38,210	 36,302	 294	 (220)	 38,504	 36,082
Noncurrent liabilities	197,921	139,845	14,033	11,201	211,954	151,046
Total liabilities	236,131	176,147	14,327	10,981	250,458	187,128
Deferred inflows	0	34,988	0	0	0	34,988
 Net position:						
Net investment in capital assets	259,689	262,348	11,181	12,780	270,870	275,128
Unrestricted	9,873	31,490	3,197	5,755	13,070	37,245
*Total net position	<u>\$ 269,562</u>	<u>\$ 293,838</u>	<u>\$ 14,378</u>	<u>\$ 18,535</u>	<u>\$ 283,940</u>	<u>\$ 312,373</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, 2016 and 2015, 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 \$24.277 million, or 8.3 percent, and the net position of the business-type net position decreased by \$4.157 million, or 22.4 percent. The decrease in Governmental Activities is a planned reduction in appropriated expenditures by the Board of County Commissioners. The decrease in business-type activity is due to an increase in estimated closure/post closure costs for the Landfill in 2016.

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 \$5.9 million in FY 2015 versus \$7.1 million in FY 2016. The County also adopted a Communications Services Tax in FY 2003, with revenues in the amount of \$3.3 million in FY 2016 compared to revenues of \$3.5 million in FY 2015. 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 1.02% for the year, investment earnings in the portfolio earned a total income of \$2,608 million, an increase of \$503 thousand from 2015. 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)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Total % Change 2015 to 2016</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
<b>Revenues</b>							
<b>Program Revenues:</b>							
Charges for services	\$ 39,618	\$ 37,786	\$ 8,521	\$ 7,026	\$ 48,139	\$ 44,812	7 %
Operating grants & contributions	4,977	4,116	0	0	4,977	4,116	21 %
Capital grants & contributions	4,636	3,729	0	0	4,636	3,729	24 %
<b>Total Program Revenues</b>	<u>49,231</u>	<u>45,631</u>	<u>8,521</u>	<u>7,026</u>	<u>57,752</u>	<u>52,657</u>	<u>10 %</u>
<b>General Revenues:</b>							
Property taxes	125,821	121,697	0	0	125,821	121,697	3 %
Local option taxes	15,996	15,662	0	0	15,996	15,662	2 %
Communications services taxes	3,317	3,500	0	0	3,317	3,500	(5)%
Motor fuel taxes	1,429	1,387	0	0	1,429	1,387	3 %
Utility services taxes	7,053	5,910	0	0	7,053	5,910	19 %
Other taxes	0	0	1,786	1,801	1,786	1,801	(1)%
State shared revenues	23,336	22,939	0	0	23,336	22,939	2 %
Investment earnings	2,233	1,920	375	185	2,608	2,105	24 %
Miscellaneous revenues	3,718	4,328	185	85	3,903	4,413	(12)%
<b>Total General Revenues</b>	<u>182,903</u>	<u>177,343</u>	<u>2,346</u>	<u>2,071</u>	<u>185,249</u>	<u>179,414</u>	<u>3 %</u>
<b>Total Revenues</b>	<u>232,134</u>	<u>222,974</u>	<u>10,867</u>	<u>9,097</u>	<u>243,001</u>	<u>232,071</u>	<u>5 %</u>
<b>Program Expenses</b>							
General government	45,358	37,300	0	0	45,358	37,300	22 %
Public safety	109,608	100,673	0	0	109,608	100,673	9 %
Physical environment	15,250	17,173	15,576	8,837	30,826	26,010	19 %
Transportation	27,474	27,166	0	0	27,474	27,166	1 %
Economic environment	6,116	5,489	0	0	6,116	5,489	11 %
Human services	10,205	9,891	0	0	10,205	9,891	3 %
Culture and recreation	19,471	15,678	0	0	19,471	15,678	24 %
Judicial	21,165	20,099	0	0	21,165	20,099	5 %
Interest on long-term debt	1,211	1,959	0	0	1,211	1,959	(38)%
<b>*Total Program Expenses</b>	<u>255,858</u>	<u>235,428</u>	<u>15,576</u>	<u>8,837</u>	<u>271,434</u>	<u>244,265</u>	<u>11 %</u>
Excess (deficiency) before transfers (net)	(23,724)	(12,454)	(4,709)	260	(28,433)	(12,194)	133 %
Transfers	(552)	(409)	552	409	0	0	0 %
<b>Change In Net Position</b>	<u>(24,276)</u>	<u>(12,863)</u>	<u>(4,157)</u>	<u>669</u>	<u>(28,433)</u>	<u>(12,194)</u>	<u>133 %</u>
Beginning net position (restated)	293,839	306,702	18,535	17,866	312,374	324,568	(4)%
<b>*Ending net position</b>	<u>\$ 269,563</u>	<u>\$ 293,839</u>	<u>\$ 14,378</u>	<u>\$ 18,535</u>	<u>\$ 283,941</u>	<u>\$ 312,374</u>	<u>(9)%</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 decreased to 19 percent from fiscal year 2015 to fiscal year 2016.

**Table 4**

<b>Program Expenses and Revenues for Governmental Activities For the Fiscal Year Ended September 30 (in thousands)</b>						
	<b>Program Expenses</b>	<b>Less Program Revenues</b>	<b>Net Program Expenses (a)</b>		<b>Program Revenues as a Percentage of Program Expenses</b>	
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General government	\$ 45,358	\$ 7,622	\$ 37,736	\$ 30,313	17 %	19 %
Public safety	109,608	24,480	85,128	77,957	22 %	23 %
Physical environment	15,250	1,772	13,478	13,932	12 %	19 %
Transportation	27,474	4,768	22,706	25,215	17 %	7 %
Economic environment	6,116	157	5,959	5,168	3 %	6 %
Human services	10,205	44	10,161	9,845	0 %	0 %
Culture and recreation	19,471	424	19,047	15,369	2 %	2 %
Judicial	21,165	9,964	11,201	10,038	47 %	50 %
Interest on long-term debt	1,211	0	1,211	1,959	N/A	N/A
*Total governmental activities	<u>\$ 255,858</u>	<u>\$ 49,231</u>	<u>\$ 206,627</u>	<u>\$ 189,796</u>	<u>19 %</u>	<u>19 %</u>

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

*\*Differences from financial statements due to rounding*

## Program Expenses and Revenues for Business-type Activities

Table 5 below presents program expenses and revenues for business-type activities. Revenues are not sufficient to cover program expenses in FY 2016. Program revenues as a percentage of expenses increased to 55% from 2015 to 2016. Based on the 2016 engineers report submitted to DEP, the estimated liability for closure/post closure cost for the Landfill increased by \$2.8 million. This increase, along with the capitlization of improvements made in 2015, resulted in an increase in the program expenses.

**Table 5**

<b>Program Expenses and Revenues for Business-type Activities For the Year Ended September 30 (in thousands)</b>						
<b>County Programs</b>	<b>Program Expenses</b>	<b>Less Program Revenues</b>	<b>Net Program Expenses</b>		<b>Program Revenues as a Percentage of Program Expenses</b>	
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Landfill	<u>\$ 15,576</u>	<u>\$ 8,521</u>	<u>\$ 7,055</u>	<u>\$ 1,811</u>	<u>55 %</u>	<u>80 %</u>

## **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 2016 by \$269,561,815, as compared to \$293,838,564 for fiscal year 2015, for governmental activities. The assets for business-type activities exceeded its liabilities (net position) at the close of fiscal year 2016 by \$14,377,646 as compared to \$18,535,407 for fiscal year 2015. (Please see the Statement of Activities discussed previously for an explanation of the differences above.)
- The County's total net position decreased by \$28,434,510 during fiscal year 2016, as compared to a \$12,194,549 decrease in fiscal year 2015. The net position of governmental activities decreased by \$24,276,749 in fiscal year 2016, as compared to a decrease of \$12,863,003 in 2015. The net position of business-type activities decreased by \$4,157,761 in 2016, as compared to an increase of \$668,454 in 2015. This variance for governmental activities is effected by the recognition of pension expenditures in 2015 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 \$118,494,710 for fiscal year 2016, as compared to \$129,954,638 for fiscal year 2015. 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, 2016 has decreased to a total of \$31,838,226, as compared to \$43,412,977 for September 30, 2015. The \$11,574,751 decrease was due to an appropriation of unreserved fund balance above the adopted policy minimum, which Leon County used to replenish its general and transportation capital reserves. The General Fund reserves are within policy limits and allow the County to maintain the same property millage rates for 2015.

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 \$39,800,757 for FY 2016 versus \$37,233,649 for FY 2015. The Non-Countywide fund balance is \$2,693,540 for FY 2016, versus \$3,612,218 for FY 2015.

## **Fine & Forfeiture Fund**

Fund balance at September 30, 2016 totaled \$1,247,520, as compared to \$1,840,601 for September 30, 2015. This is a decrease for the fiscal year and relates to an increase in contributions for legal aid services and the County's portion of juvenile detention costs.

## **Grants Fund**

The fund balance at September 30, 2016 totaled \$2,062,894, as compared to the September 30, 2015 balance of \$1,519,490. This was a small increase of \$543,404. 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 fifth year that this fund is considered a major fund. The net change in fund balance is an increase of \$101,799 with fund balance in FY 2016 at \$1,230,523 from a fund balance in FY 2015 of \$1,128,724.

## **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 \$154,376 with fund balance in September 30, 2016 at \$418,432 from a fund balance in September 30, 2015 of \$264,056. The increase is due to receipts paid in advance.

## **Capital Improvement Fund**

Fund balance at September 30, 2016 totaled \$29,391,988, as compared to \$19,940,027 for September 30, 2015. This was an increase of \$9,451,961. This increase can be attributed to the County's planned spending on various capital projects from appropriated fund balance from both the General Fund and the Capital Improvement Fund, such as new stormwater equipment, maintenance and improvement of various parks, maintenance and improvements on the jail complex, stormwater infrastructure preventative maintenance, and improvements to the main library.

## **Enterprise Funds**

The County's proprietary funds reported net position of \$14,377,646 for September 30, 2016, as compared to \$18,535,407 for September 30, 2015, which is an decrease of \$4,157,761. The estimated liability for landfill closure and postclosure costs was higher than anticipated.

## **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 \$303,144,297 in capital assets for governmental activities and \$11,180,943 in capital assets for business-type activities at September 30, 2016, versus \$312,901,234 for governmental and \$12,779,942 for business-type activities at September 30, 2015. 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, 2016, the County had \$43,455,002 of outstanding bonded debt, as compared to \$50,553,000 at September 30, 2015. 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 2015, the County refunded the final portion of the 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.

- The number of State Employees working in Leon County increased from 22,612 in 2015 to 24,599 in 2016.
- GDP in Leon County increased from \$14.2 billion in 2014 to \$14.7 billion in 2015.
- The Consumer Price Index increased 1.3% in 2016 compared to 2015
- The estimated population in Leon County increased 1.13% from 284,443 to 287,671 during FY 2016.
- Leon County's unemployment rate decreased to 4.9% in FY 2016.
- Direct expenditures of visitors increased 0.2% from \$531.6 million in FY 2015 to \$532.5 million in FY 2016.
- Building permits decreased from 5,147 permits issued in FY 2015 to 3,842 in FY 2016.
- Mortgage foreclosure cases decreased by 26.8% in 2016 when compared to 2015, the fourth 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](http://www.clerk.leon.fl.us) for further financial information.

Leon County, Florida

Statement of Net Position

September 30, 2016

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>Assets</b>				
Current assets:				
Cash	\$ 23,921,117	\$ 1,004	\$ 23,922,121	\$ 650,082
Investments	110,840,343	8,643,075	119,483,418	0
Receivables	6,780,032	1,090,060	7,870,092	10
Receivables from other governments	5,661,761	0	5,661,761	0
Inventory	776,454	1,214	777,668	0
Other assets	24,398	0	24,398	0
Total current assets	148,004,105	9,735,353	157,739,458	650,092
Noncurrent assets:				
Restricted assets:				
Cash and investments	0	7,788,125	7,788,125	0
Capital assets:				
Land and construction in progress, nondepreciable	59,263,271	1,809,844	61,073,115	0
Depreciable (net)	243,881,026	9,371,099	253,252,125	0
Total noncurrent assets	303,144,297	18,969,068	322,113,365	0
Total assets	451,148,402	28,704,421	479,852,823	650,092
<b>Deferred outflows</b>				
Deferred outflow of resources	60,939,066	0	60,939,066	0
Total deferred outflows	60,939,066	0	60,939,066	0
<b>Total assets and deferred outflows</b>	512,087,468	28,704,421	540,791,889	0
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	14,188,021	709,984	14,898,005	82
Payable to other governments	1,978,131	0	1,978,131	0
Internal balances	465,994	(465,994)	0	0
Accrued compensated absences	4,912,175	49,998	4,962,173	0
Unearned revenues	4,819,401	0	4,819,401	0
Bonds and notes payable	7,962,050	0	7,962,050	0
Other current liabilities	3,884,555	0	3,884,555	0
Total current liabilities	38,210,327	293,988	38,504,315	82
Noncurrent liabilities:				
Deposits	677,199	0	677,199	0
Estimated liability for landfill closure and postclosure care costs	0	13,789,224	13,789,224	0
Arbitrage rebate liability	25,000	0	25,000	0
Accrued compensated absences	11,419,900	117,011	11,536,911	0
Other postemployment benefits obligation	7,894,334	126,552	8,020,886	0
Net pension liability	141,148,925	0	141,148,925	0
Bonds and notes payable	36,756,112	0	36,756,112	0
Total noncurrent liabilities	197,921,470	14,032,787	211,954,257	0
Total liabilities	236,131,797	14,326,775	250,458,572	82
<b>Deferred inflows</b>				
Deferred inflow of resources	6,393,856	0	6,393,856	0
Total deferred inflows	6,393,856	0	6,393,856	82
<b>Net position</b>				
Net investment in capital assets	259,689,297	11,180,943	270,870,240	0
Unrestricted	9,872,518	3,196,703	13,069,221	650,010
Total net position	\$ 269,561,815	\$ 14,377,646	\$ 283,939,461	\$ 650,010

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

# Leon County, Florida

## Statement of Net Position

September 30, 2016

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operational Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 45,358,294	\$ 7,176,833	\$ 444,977	\$ 0
Public safety	109,608,245	22,448,151	1,853,055	178,836
Physical environment	15,250,095	1,356,172	30,000	385,523
Transportation	27,474,016	674,201	148,956	3,944,763
Economic environment	6,116,303	151,179	5,406	0
Human services	10,204,817	0	43,901	0
Culture and recreation	19,470,976	251,777	45,835	126,756
Judicial	21,165,279	7,559,275	2,404,548	0
Interest on long-term debt	1,210,809	0	0	0
Total governmental activities	255,858,834	39,617,588	4,976,678	4,635,878
Business-type activities:				
Landfill	15,576,040	8,521,032	0	0
Total business-type activities	15,576,040	8,521,032	0	0
Total primary government	\$ 271,434,874	\$ 48,138,620	\$ 4,976,678	\$ 4,635,878
<b>Component Unit:</b>				
Economic environment	125,108	62,363	0	0
Total component unit	\$ 125,108	\$ 62,363	\$ 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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	<b>Component Unit</b>
			<b>Housing Finance Authority</b>
\$ (37,736,484)	\$ 0	\$ (37,736,484)	\$ 0
(85,128,203)	0	(85,128,203)	0
(13,478,400)	0	(13,478,400)	0
(22,706,096)	0	(22,706,096)	0
(5,959,718)	0	(5,959,718)	0
(10,160,916)	0	(10,160,916)	0
(19,046,608)	0	(19,046,608)	0
(11,201,456)	0	(11,201,456)	0
(1,210,809)	0	(1,210,809)	0
(206,628,690)	0	(206,628,690)	0
0	(7,055,008)	(7,055,008)	0
0	(7,055,008)	(7,055,008)	0
(206,628,690)	(7,055,008)	(213,683,698)	0
0	0	0	(62,745)
0	0	0	(62,745)
125,821,264	0	125,821,264	0
15,995,971	0	15,995,971	0
3,317,387	0	3,317,387	0
1,429,428	0	1,429,428	0
7,053,470	0	7,053,470	0
0	1,785,686	1,785,686	0
23,335,699	0	23,335,699	0
2,232,685	374,682	2,607,367	8,223
3,718,175	184,741	3,902,916	33,077
(552,138)	552,138	0	0
182,351,941	2,897,247	185,249,188	41,300
(24,276,749)	(4,157,761)	(28,434,510)	(21,445)
293,838,564	18,535,407	312,373,971	671,455
\$ 269,561,815	\$ 14,377,646	\$ 283,939,461	\$ 650,010

Leon County, Florida

Balance Sheet  
Governmental Funds

September 30, 2016

	<u>General Fund</u>	<u>Fine &amp; Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
<b>Assets</b>				
Cash	\$ 10,238,423	\$ 169,955	\$ 15,613	\$ 638
Investments	29,750,361	916,459	4,223,528	1,910,939
Receivables:				
Accounts	192,651	1,961	8,991	4,090
Intergovernmental	1,732,385	0	2,069,249	0
Special assessments	0	0	0	0
Due from other funds	1,128,357	489,939	0	0
Inventory	734,533	0	0	0
Other assets	9,368	0	0	0
Total assets	<u>\$ 43,786,078</u>	<u>\$ 1,578,314</u>	<u>\$ 6,317,381</u>	<u>\$ 1,915,667</u>
<b>Liabilities, deferred inflows, and fund balances</b>				
Liabilities:				
Accounts payable	\$ 6,080,985	\$ 5,000	\$ 291,527	\$ 0
Accrued liabilities	3,641,244	0	4,974	0
Intergovernmental payables	745,566	0	0	685,144
Due to other funds	1,402,780	0	55,668	0
Deposits	77,277	325,794	0	0
Unearned revenues	0	0	3,902,320	0
Total liabilities	<u>11,947,852</u>	<u>330,794</u>	<u>4,254,489</u>	<u>685,144</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	743,901	0	0	0
Restricted	0	0	2,062,892	0
Committed	4,813,626	187,128	0	1,230,523
Assigned	10,065,978	1,060,392	0	0
Unassigned	16,214,721	0	0	0
Total fund balances	<u>31,838,226</u>	<u>1,247,520</u>	<u>2,062,892</u>	<u>1,230,523</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 43,786,078</u>	<u>\$ 1,578,314</u>	<u>\$ 6,317,381</u>	<u>\$ 1,915,667</u>

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

<b>Special Assessment Paving Fund</b>	<b>Capital Improvement Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 397,754	\$ 4,760,050	\$ 7,423,744	\$ 23,006,177
0	25,506,654	42,460,489	104,768,430
23,569	93,395	5,087,053	5,411,710
0	0	1,849,736	5,651,370
1,208,165	0	(2,058)	1,206,107
0	0	291,453	1,909,749
0	0	2,211	736,744
0	0	15,030	24,398
<u>\$ 1,629,488</u>	<u>\$ 30,360,099</u>	<u>\$ 57,127,658</u>	<u>\$ 142,714,685</u>

\$ 29	\$ 818,186	\$ 2,375,741	\$ 9,571,468
0	0	475,909	4,122,127
0	0	547,421	1,978,131
0	0	382,174	1,840,622
0	149,925	124,203	677,199
0	0	917,081	4,819,401
<u>29</u>	<u>968,111</u>	<u>4,822,529</u>	<u>23,008,948</u>

<u>1,211,027</u>	<u>0</u>	<u>0</u>	<u>1,211,027</u>
<u>1,211,027</u>	<u>0</u>	<u>0</u>	<u>1,211,027</u>

0	0	17,241	761,142
0	29,391,988	36,749,621	68,204,501
418,432	0	14,079,285	20,728,994
0	0	1,459,012	12,585,382
0	0	(30)	16,214,691
<u>418,432</u>	<u>29,391,988</u>	<u>52,305,129</u>	<u>118,494,710</u>
<u>\$ 1,629,488</u>	<u>\$ 30,360,099</u>	<u>\$ 57,127,658</u>	<u>\$ 142,714,685</u>

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# Leon County, Florida

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

September 30, 2016

Total fund balances of governmental funds \$ 118,494,710

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	655,443,694	
Less accumulated depreciation	<u>(352,299,397)</u>	303,144,297

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	(44,291,650)	
Discount/(Premium)	(473,902)	
Current year amortization	47,390	
Deferral outflow of difference in carrying value between old and new debt	485,500	
Current year amortization	(228,750)	
Deferral for retirement contributions	60,682,316	
Deferral for payments to retirees	(5,182,829)	
Net pension liability	(141,148,925)	
Compensated absences net of internal service amount	(15,718,252)	
Other postemployment benefits net of internal service amount	(7,849,423)	
Arbitrage rebate liability	<u>(25,000)</u>	(153,703,525)

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.

1,626,333

Total net position of governmental activities		<u>\$ 269,561,815</u>
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*The accompanying notes are an integral part of these financial statements.*



Leon County, Florida

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

Year Ended September 30, 2016

	<u>General Fund</u>	<u>Fine &amp; Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
<b>Revenues</b>				
Taxes	\$ 48,285,480	\$ 70,594,257	\$ 0	\$ 0
Licenses and permits	9,940	0	0	0
Intergovernmental	21,007,693	19,152	5,020,907	0
Charges for services	7,399,613	936,027	96,777	7,308,453
Fines and forfeitures	0	124,196	0	0
Interest	449,393	211,328	21,650	34,250
Net increase (decrease) in fair value of investments	82,208	1,698	11,397	3,891
Miscellaneous	510,050	0	303,244	0
Total revenues	<u>77,744,377</u>	<u>71,886,658</u>	<u>5,453,975</u>	<u>7,346,594</u>
<b>Expenditures</b>				
Current:				
General government	32,352,610	0	264	0
Public safety	68,264,772	0	471,213	8,432,270
Physical environment	2,252,679	0	416,355	0
Transportation	0	0	4,236,760	0
Economic environment	2,426,943	0	55,406	0
Human services	8,025,171	100,000	45,156	0
Culture and recreation	6,387,670	0	212,758	0
Judicial	11,223,250	1,964,643	126,718	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>130,933,095</u>	<u>2,064,643</u>	<u>5,564,630</u>	<u>8,432,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,188,718)</u>	<u>69,822,015</u>	<u>(110,655)</u>	<u>(1,085,676)</u>
Other financing sources (uses)				
Transfers in	71,253,001	463,977	775,212	1,224,459
Transfers out	<u>(29,639,034)</u>	<u>(70,879,073)</u>	<u>(121,155)</u>	<u>(36,984)</u>
Total other financing sources (uses)	<u>41,613,967</u>	<u>(70,415,096)</u>	<u>654,057</u>	<u>1,187,475</u>
Net change in fund balances	(11,574,751)	(593,081)	543,402	101,799
Fund balances, October 1	43,412,977	1,840,601	1,519,490	1,128,724
Fund balances, September 30	<u>\$ 31,838,226</u>	<u>\$ 1,247,520</u>	<u>\$ 2,062,892</u>	<u>\$ 1,230,523</u>

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

<b><u>Special Assessment Paving Fund</u></b>	<b><u>Capital Improvement Fund</u></b>	<b><u>Nonmajor Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
\$ 0	\$ 0	\$ 34,737,783	\$ 153,617,520
0	0	3,037,530	3,047,470
0	0	6,800,503	32,848,255
0	0	20,447,235	36,188,105
0	0	357,820	482,016
1,137	319,566	778,207	1,815,531
0	99,129	107,636	305,959
368,719	0	2,536,163	3,718,176
<u>369,856</u>	<u>418,695</u>	<u>68,802,877</u>	<u>232,023,032</u>
0	2,287,736	3,566,763	38,207,373
0	350,794	26,610,994	104,130,043
0	1,582,511	9,979,546	14,231,091
0	940,820	20,505,594	25,683,174
0	0	3,466,144	5,948,493
0	0	1,647,831	9,818,158
0	1,919,473	6,829,188	15,349,089
0	776,400	6,907,404	20,998,415
0	0	7,535,538	7,535,538
0	0	1,028,176	1,028,176
0	0	1,272	1,272
<u>0</u>	<u>7,857,734</u>	<u>88,078,450</u>	<u>242,930,822</u>
<u>369,856</u>	<u>(7,439,039)</u>	<u>(19,275,573)</u>	<u>(10,907,790)</u>
0	16,891,000	25,747,029	116,354,678
<u>(215,480)</u>	<u>0</u>	<u>(16,015,090)</u>	<u>(116,906,816)</u>
<u>(215,480)</u>	<u>16,891,000</u>	<u>9,731,939</u>	<u>(552,138)</u>
154,376	9,451,961	(9,543,634)	(11,459,928)
<u>264,056</u>	<u>19,940,027</u>	<u>61,848,763</u>	<u>129,954,638</u>
<u>\$ 418,432</u>	<u>\$ 29,391,988</u>	<u>\$ 52,305,129</u>	<u>\$ 118,494,710</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, 2016

Net change in fund balances - total governmental funds \$ (11,459,928)

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	10,818,970	
Less current year depreciation	<u>(20,575,907)</u>	(9,756,937)

Repayment of bond principal is an expenditure in the governmental funds, but  
the repayment reduces long-term liabilities before deferred outflows of  
\$915,000.

7,535,538

Bond proceeds provide current financial resources to governmental funds, but  
increase long-term liabilities in the Statement of Net Position.

0

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	47,389	
Amortization of current year deferred charge on refunding	(228,750)	
Change in other postemployment benefits	(849,318)	
Change in long-term compensated absence	(1,176,001)	
Change in net pension liability	<u>(8,743,024)</u>	(10,949,704)

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

354,282

Change in net position of governmental activities \$ (24,276,749)

*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, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Taxes	\$ 48,289,066	\$ 48,289,066	\$ 48,285,480	\$ (3,586)
Licenses and permits	9,500	9,500	9,940	440
Intergovernmental	20,338,006	20,370,153	21,007,693	637,540
Charges for services	11,723,407	12,087,219	7,399,613	(4,687,606)
Interest	417,125	417,125	449,393	32,268
Net increase (decrease) in fair value of investments	0	0	82,208	82,208
Miscellaneous	288,353	339,907	510,050	170,143
Total revenues	<u>81,065,457</u>	<u>81,512,970</u>	<u>77,744,377</u>	<u>(3,768,593)</u>
<b>Expenditures</b>				
Current:				
General government	38,826,643	41,833,094	32,352,610	9,480,484
Public safety	68,701,640	69,113,168	68,264,772	848,396
Physical environment	2,491,466	2,491,466	2,252,679	238,787
Economic environment	2,504,666	2,504,666	2,426,943	77,723
Human services	8,209,000	8,283,618	8,025,171	258,447
Culture and recreation	6,764,299	6,665,396	6,387,670	277,726
Judicial	4,506,700	6,496,573	11,223,250	(4,726,677)
Total expenditures	<u>132,004,414</u>	<u>137,387,981</u>	<u>130,933,095</u>	<u>6,454,886</u>
Excess (deficiency) of revenues over (under) expenditure	<u>(50,938,957)</u>	<u>(55,875,011)</u>	<u>(53,188,718)</u>	<u>2,686,293</u>
Other financing sources (uses)				
Transfers in	88,779,557	90,680,051	71,253,001	(19,427,050)
Transfers out	(41,965,600)	(54,422,933)	(29,639,034)	24,783,899
Total other financing sources (uses)	<u>46,813,957</u>	<u>36,257,118</u>	<u>41,613,967</u>	<u>5,356,849</u>
Net change in fund balances	(4,125,000)	(19,617,893)	(11,574,751)	8,043,142
Fund balances, October 1	<u>43,412,977</u>	<u>43,412,977</u>	<u>43,412,977</u>	<u>0</u>
Fund balances, September 30	<u>\$ 39,287,977</u>	<u>\$ 23,795,084</u>	<u>\$ 31,838,226</u>	<u>\$ 8,043,142</u>

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

Leon County, Florida

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

Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 69,698,407	\$ 69,698,407	\$ 70,594,257	\$ 895,850
Intergovernmental	15,799	15,799	19,152	3,353
Charges for services	927,010	927,010	936,027	9,017
Fines and forfeitures	114,950	114,950	124,196	9,246
Interest	137,750	137,750	211,328	73,578
Net increase (decrease) in fair value of investments	0	0	1,698	1,698
Total revenues	<u>70,893,916</u>	<u>70,893,916</u>	<u>71,886,658</u>	<u>992,742</u>
<b>Expenditures</b>				
Human services	100,000	100,000	100,000	0
Judicial	<u>1,884,843</u>	<u>2,014,843</u>	<u>1,964,643</u>	<u>50,200</u>
Total expenditures	<u>1,984,843</u>	<u>2,114,843</u>	<u>2,064,643</u>	<u>50,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,909,073</u>	<u>68,779,073</u>	<u>69,822,015</u>	<u>1,042,942</u>
Other financing sources (uses)				
Transfers in	0	0	463,977	463,977
Transfers out	<u>(68,909,073)</u>	<u>(70,929,073)</u>	<u>(70,879,073)</u>	<u>50,000</u>
Total other financing sources (uses)	<u>(68,909,073)</u>	<u>(70,929,073)</u>	<u>(70,415,096)</u>	<u>513,977</u>
Net change in fund balances	0	(2,150,000)	(593,081)	1,556,919
Fund balances, October 1	<u>1,840,601</u>	<u>1,840,601</u>	<u>1,840,601</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,840,601</u>	<u>\$ (309,399)</u>	<u>\$ 1,247,520</u>	<u>\$ 1,556,919</u>

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

Leon County, Florida

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

Year Ended September 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental	\$ 346,800	\$ 18,156,701	\$ 5,020,907	\$(13,135,794)
Charges for services	87,305	284,744	96,777	(187,967)
Interest	0	6,919	21,650	14,731
Net increase (decrease) in fair value of investments	0	0	11,397	11,397
Miscellaneous	0	1,031,573	303,244	(728,329)
Total revenues	<u>434,105</u>	<u>19,479,937</u>	<u>5,453,975</u>	<u>(14,025,962)</u>
<b>Expenditures</b>				
General government	0	750	264	486
Public safety	428,838	1,660,414	471,213	1,189,201
Physical environment	0	3,628,404	416,355	3,212,049
Transportation	0	11,646,028	4,236,760	7,409,268
Economic environment	0	1,631,693	55,406	1,576,287
Human services	30,000	75,736	45,156	30,580
Culture and recreation	15,000	2,200,758	212,758	1,988,000
Judicial	91,710	266,983	126,718	140,265
Total expenditures	<u>565,548</u>	<u>21,110,766</u>	<u>5,564,630</u>	<u>15,546,136</u>
Excess (deficiency) of revenue (under) over expenditures	<u>(131,443)</u>	<u>(1,630,829)</u>	<u>(110,655)</u>	<u>1,520,174</u>
Other financing sources (uses)				
Transfers in	0	775,212	775,212	0
Transfers out	(121,155)	(121,155)	(121,155)	0
Total other financing sources (uses)	<u>(121,155)</u>	<u>654,057</u>	<u>654,057</u>	<u>0</u>
Net change in fund balances	(252,598)	(976,772)	543,402	1,520,174
Fund balances, October 1	<u>1,519,490</u>	<u>1,519,490</u>	<u>1,519,490</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,266,892</u>	<u>\$ 542,718</u>	<u>\$ 2,062,892</u>	<u>\$ 1,520,174</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Charges for services	\$ 6,808,662	\$ 7,351,160	\$ 7,308,453	\$ (42,707)
Interest	0	0	34,250	34,250
Net increase (decrease) in fair value of investments	0	0	3,891	3,891
Total revenues	<u>6,808,662</u>	<u>7,351,160</u>	<u>7,346,594</u>	<u>(4,566)</u>
<b>Expenditures</b>				
Public safety	<u>7,999,426</u>	<u>8,541,924</u>	<u>8,432,270</u>	<u>109,654</u>
Total Expenditures	<u>7,999,426</u>	<u>8,541,924</u>	<u>8,432,270</u>	<u>109,654</u>
Excess of revenues over expenditures	(1,190,764)	(1,190,764)	(1,085,676)	105,088
Other financing sources (uses)				
Transfers in	1,224,459	1,224,459	1,224,459	0
Transfers out	<u>33,695</u>	<u>33,695</u>	<u>(36,984)</u>	<u>(70,679)</u>
Total other financing sources (uses)	<u>1,258,154</u>	<u>1,258,154</u>	<u>1,187,475</u>	<u>(70,679)</u>
Net change in fund balances	67,390	67,390	101,799	34,409
Fund balances, October 1	<u>1,128,724</u>	<u>1,128,724</u>	<u>1,128,724</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,196,114</u>	<u>\$ 1,196,114</u>	<u>\$ 1,230,523</u>	<u>\$ 34,409</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Interest	\$ 56,173	\$ 56,173	\$ 1,137	\$ (55,036)
Miscellaneous	229,295	229,295	368,719	139,424
Total revenues	<u>285,468</u>	<u>285,468</u>	<u>369,856</u>	<u>84,388</u>
<b>Expenditures</b>				
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>285,468</u>	<u>285,468</u>	<u>369,856</u>	<u>84,388</u>
Other financing sources (uses)				
Transfers out	<u>(285,468)</u>	<u>(285,468)</u>	<u>(215,480)</u>	<u>69,988</u>
Total other financing sources (uses)	<u>(285,468)</u>	<u>(285,468)</u>	<u>(215,480)</u>	<u>69,988</u>
Net change in fund balances	0	0	154,376	154,376
Fund balances, October 1	<u>264,056</u>	<u>264,056</u>	<u>264,056</u>	<u>0</u>
Fund balances, September 30	<u>\$ 264,056</u>	<u>\$ 264,056</u>	<u>\$ 418,432</u>	<u>\$ 154,376</u>

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



Leon County, Florida

Statement of Net Position  
Proprietary Funds

September 30, 2016

	<b>Business-type Activities - Landfill Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 1,004	\$ 822,338
Cash with fiscal agent	0	92,603
Investments	8,643,075	6,071,913
Receivables:		
Accounts	1,090,060	162,215
Intergovernmental	0	10,391
Due from other funds	0	10,685
Inventory	1,214	39,710
Total current assets	<u>9,735,353</u>	<u>7,209,855</u>
Noncurrent assets:		
Restricted cash and investments	7,788,125	0
Capital assets:		
Land nondepreciable	1,809,844	0
Depreciable (net)	9,371,099	0
Total noncurrent assets	<u>18,969,068</u>	<u>0</u>
Total assets	<u>28,704,421</u>	<u>7,209,855</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	676,409	482,513
Accrued liabilities	160,127	56,826
Due to other funds	0	79,812
Compensated absences	49,998	314,641
Advances from other funds	0	3,884,555
Total current liabilities	<u>886,534</u>	<u>4,818,347</u>
Noncurrent liabilities:		
Compensated absences	117,011	299,182
Liability for closure costs/maintenance	13,789,224	0
Total noncurrent liabilities	<u>13,906,235</u>	<u>299,182</u>
Total liabilities	<u>14,792,769</u>	<u>5,117,529</u>
<b>Net position</b>		
Investment in capital assets	11,180,943	0
Unrestricted	2,730,709	2,092,326
Total net position	<u>13,911,652</u>	<u>\$ 2,092,326</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	465,994	
Net position of business-type activities	<u>\$ 14,377,646</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, 2016

	<b>Business-type Activities- Landfill Fund</b>	<b>Governmental Activities- Internal Service Funds</b>
<b>Operating revenues</b>		
Charges for services	\$ 8,490,050	\$ 6,939,617
Total operating revenues	<u>8,490,050</u>	<u>6,939,617</u>
<b>Operating expenses</b>		
Personnel services	1,763,298	583,883
Contractual services	7,468,813	114,645
Supplies	265,231	959,588
Communications services	31,435	621,804
Insurance	49,688	3,232,533
Utility services	32,443	19,551
Depreciation	940,146	0
Other services and charges	5,024,986	1,139,751
Total operating expenses	<u>15,576,040</u>	<u>6,671,755</u>
Operating income (loss)	<u>(7,085,990)</u>	<u>267,862</u>
<b>Nonoperating revenues</b>		
Taxes	1,785,686	0
Interest	254,096	97,396
Net increase (decrease) in fair value of investments	120,586	20,001
Miscellaneous	184,741	0
Total nonoperating revenues	<u>2,345,109</u>	<u>117,397</u>
Income (loss) before transfers	(4,740,881)	385,259
Transfers in	582,191	0
Transfers out	<u>(30,053)</u>	<u>0</u>
* Change in net position	(4,188,743)	385,259
<b>Net position, October 1</b>	<u>18,100,395</u>	<u>1,707,067</u>
<b>Net position, September 30</b>	<u>\$ 13,911,652</u>	<u>\$ 2,092,326</u>

\* Adjustment to reflect the consolidation of internal service  
fund activities related to enterprise funds.  
Change in net position of business-type activities

30,982  
\$ (4,157,761)

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

Leon County, Florida

Statement of Cash Flows  
Proprietary Funds

Year Ended September 30, 2016

	<b>Business-type Activities - Landfill Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 11,008,859	\$ 174,071
Payments to suppliers	(12,280,522)	(4,077,968)
Payments to employees	(1,737,669)	(627,457)
Claims paid	0	(1,475,372)
Payment for interfund services	(49,688)	6,761,865
Net cash (used in) provided by operating activities	<u>(3,059,020)</u>	<u>755,139</u>
<b>Cash flows from noncapital financing activities</b>		
Tax proceeds	1,785,686	0
Transfers from other funds	582,191	0
Transfers to other funds	(30,053)	0
Net cash provided by noncapital financing activities	<u>2,337,824</u>	<u>0</u>
<b>Cash flows from capital and related financing activities</b>		
Sale of property	1,490,139	0
Acquisition and/or construction of capital assets	(646,545)	0
Net cash used in capital and related financing activities	<u>843,594</u>	<u>0</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	4,044,235	2,466,731
Purchases of investments	(4,534,942)	(3,243,387)
Interest and dividends received	247,019	92,711
Net increase (decrease) in fair value of investments	120,586	20,001
Net cash provided by (used in) investing activities	<u>(123,102)</u>	<u>(663,944)</u>
Net increase in cash	(704)	91,195
Cash and equivalents, October 1	1,708	823,746
Cash and equivalents, September 30	<u>\$ 1,004</u>	<u>\$ 914,941</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, 2016

	<b>Business-type Activities - Landfill Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>Reconciliation of operating (loss)</b>		
<b>income to net cash (used in) provided operating activities</b>		
Operating (loss) income	\$ (7,085,990)	\$ 267,862
Adjustments to reconcile operating		
(loss) income to net cash (used in) provided by operating activities:		
Depreciation expense	940,146	0
Change in assets and liabilities:		
Receivables	(292,295)	36,836
Due from other funds	0	(5,888)
Inventories	2,548	4,626
Accounts payable	539,838	529,906
Accrued expenses	25,629	(78,203)
Other current liabilities	0	0
Unearned revenues	(589)	0
Estimated liability for closure	2,811,693	0
Net cash (used in) provided by operating activities	<u>\$ (3,059,020)</u>	<u>\$ 755,139</u>

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

Leon County, Florida  
Statement of Fiduciary Net Position  
Agency Funds

September 30, 2016

	<b><u>Total Agency Funds</u></b>
<b>Assets</b>	
Cash	\$ 7,748,940
Accounts receivable	1,757,798
Intergovernmental receivables	40,000
Total assets	<u>\$ 9,546,738</u>
<b>Liabilities</b>	
Accounts payable	\$ 2,069,296
Intergovernmental payables	2,178,686
Deposits	3,399,298
Installment tax deposits	1,899,458
Total liabilities	<u>\$ 9,546,738</u>

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

LEON COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

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Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**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, 2016

**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, 2016, 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, 2016

**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, 2016

**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 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.

**Leon County-City of Tallahassee Blueprint 2000 Intergovernmental Agency**

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

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

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

**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, 2016

### **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, 2016

**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, 2016

**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, 2016

**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, 2016

**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 67% of outstanding gross charges at September 30, 2016.



Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**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, 2016 financial statements. Capital assets are reported in the government-wide financial statements in the applicable governmental or business-type activities column, as well as the proprietary fund financial statements. Capital assets are defined by Section 274.02, *Florida Statutes*, to include items of a nonconsumable nature with a value of at least \$1,000 and a life of one year or more. The County maintains an administrative record of these assets. However, for reporting purposes, the threshold for capitalizing property, plant, and equipment is \$20,000, buildings \$50,000 and infrastructure is \$100,000. Capital assets are recorded at cost or estimated historical cost. Contributed assets are recorded at estimated fair market value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The ranges of useful lives are as follows:

<b>Assets</b>	<b><u>Years</u></b>
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, 2016

**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, 2016

**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, 2016.

**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, 2016

**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 \$118,494,710 differs from "net position" of governmental activities of \$269,561,815 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, 2016

**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	\$ 655,443,694
Accumulated depreciation	<u>(352,299,397)</u>
Net capital assets added	<u>\$ 303,144,297</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, 2016 were:

Capital Improvement Revenue Refunding Bonds Series 2015	\$ (6,886,000)
Capital Improvement Revenue Bonds, Series 2012A	(8,267,000)
Taxable Capital Improvement Revenue Bonds, Series 2012B	(12,351,000)
Capital Improvement Revenue Refunding Bonds, Series 2014	(15,951,002)
Unamortized bond premiums	(426,512)
Deferred outflow of difference between carry value of old and new debt	256,750
Deferral for retirement contributions	60,682,316
Note payable	(836,648)
Liability for compensated absences	(15,718,252)
Net pension liability	(141,148,925)
Other postemployment benefits	(7,849,423)
Arbitrage rebate liability	(25,000)
Deferral for payments to retirees	<u>(5,182,829)</u>
	<u>\$ (153,703,525)</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2016

**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, 2016, Statement of Net Position is \$1,626,333.

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# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### 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)

	<b>Total Governmental Funds</b>	<b>Capital Related Items</b>	<b>Long-term Debt Transactions</b>
<b>Assets and Deferred Outflows</b>			
Assets:			
Equity in pooled cash and equivalents	\$ 23,006,177	\$ 0	\$ 0
Investments	104,768,430	0	0
Receivables (net)	12,269,187	0	0
Due from other funds	1,909,749	0	0
Inventories	736,744	0	0
Other assets	24,398	0	0
Capital assets (net)	0	303,144,297	0
Total assets	<u>142,714,685</u>	<u>303,144,297</u>	<u>0</u>
Deferred Outflows:			
Loss deferral for difference between old and new debt	0	0	256,750
Deferral for retirement contributions	0	0	60,682,316
Total deferred outflows	<u>0</u>	<u>0</u>	<u>60,939,066</u>
Total assets and deferred outflows	<u>142,714,685</u>	<u>303,144,297</u>	<u>60,939,066</u>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 9,571,468	\$ 0	\$ 0
Accrued liabilities	4,122,127	0	0
Intergovernmental payables	1,978,131	0	0
Internal balance	0	0	0
Estimated liability for self-insurance loss	0	0	0
Due to other funds	1,840,622	0	0
Deposits	677,199	0	0
Arbitrage rebate	0	0	25,000
Unearned revenue	4,819,401	0	0
Unamortized premium on bonds payable	0	0	426,512
Net pension liability	0	0	141,148,925
Other postemployment benefits	0	0	7,849,423
Accrued compensated balances	0	0	15,718,252
Bond and notes payable (net)	0	0	44,291,650
Total liabilities	<u>23,008,948</u>	<u>0</u>	<u>209,459,762</u>
Deferred Inflows:			
Deferred special assessments	1,211,027	0	0
Deferral for payments to retirees	0	0	5,182,829
Total deferred inflows	<u>1,211,027</u>	<u>0</u>	<u>5,182,829</u>
Fund balance/net position	<u>118,494,710</u>	<u>303,144,297</u>	<u>(153,703,525)</u>
Total liabilities, deferred inflows, and fund balances/net position	<u>\$ 142,714,685</u>	<u>\$ 303,144,297</u>	<u>\$ 60,939,066</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2016

**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)**

<b>Internal Service Funds</b>	<b>Reclassifications &amp; Eliminations</b>	<b>Statement of Net Position</b>
\$ 914,940	\$ 0	\$ 23,921,117
6,071,913	0	110,840,343
172,606	0	12,441,793
10,685	(1,920,434)	0
39,710	0	776,454
0	0	24,398
0	0	303,144,297
<u>7,209,854</u>	<u>(1,920,434)</u>	<u>451,148,402</u>
0	0	256,750
<u>0</u>	<u>0</u>	<u>60,682,316</u>
<u>0</u>	<u>0</u>	<u>60,939,066</u>
<u>7,209,854</u>	<u>(1,920,434)</u>	<u>512,087,468</u>
\$ 482,511	\$ 4,134,042	\$ 14,188,021
11,915	(4,134,042)	0
0	0	1,978,131
465,994	0	465,994
3,884,555	0	3,884,555
79,812	(1,920,434)	0
0	0	677,199
0	0	25,000
0	0	4,819,401
0	0	426,512
0	0	141,148,925
44,911	0	7,894,334
613,823	0	16,332,075
0	0	44,291,650
<u>5,583,521</u>	<u>(1,920,434)</u>	<u>236,131,797</u>
0	0	1,211,027
<u>0</u>	<u>0</u>	<u>5,182,829</u>
<u>0</u>	<u>0</u>	<u>6,393,856</u>
<u>1,626,333</u>	<u>0</u>	<u>269,561,815</u>
<u>\$ 7,209,854</u>	<u>\$ (1,920,434)</u>	<u>\$ 512,087,468</u>

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### **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 (\$11,459,928) differs from the “change in net position” for governmental activities of \$(24,276,749), 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	\$ 10,818,970
Depreciation expense	<u>(20,575,907)</u>
Net	<u>\$ (9,756,937)</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.

Principal payments	\$ 7,535,538
Net	<u>\$ 7,535,538</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2016

**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	\$ 47,389
Amortization of current year deferred outflow on refunding	(228,750)
Net increase in compensated absences	(1,176,001)
Net change in net pension liability	(8,743,024)
Net increase in other postemployment benefits	<u>(849,318)</u>
	<u>\$ (10,949,704)</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>\$ 354,282</u>
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# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### 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	\$ 153,617,520	\$ 0	\$ 0	\$ 0
Licenses and permits	3,047,470	0	0	0
Intergovernmental	32,848,255	0	0	0
Charges for services	36,188,105	0	0	0
Fines and forfeitures	482,016	0	0	0
Interest	1,815,531	0	0	0
Net increase (decrease) in fair value of investments	305,959	0	0	0
Miscellaneous	3,718,176	0	0	0
Total revenues	<u>232,023,032</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
General government	38,207,373	4,173,914	0	283,663
Public safety	104,130,043	1,212,623	0	766,819
Physical environment	14,231,091	161,523	0	(36,326)
Transportation	25,683,174	751,564	0	81,796
Economic environment	5,948,493	0	0	(4,516)
Human services	9,818,158	184,984	0	49,054
Culture and recreation	15,349,089	3,272,329	0	18,807
Judicial	20,998,415	0	0	16,704
Debt service				
Principal retirement	7,535,538	0	(7,535,538)	0
Interest and fiscal charges	1,028,176	0	182,633	0
Other debt service costs	1,272	0	(1,272)	0
Total expenditures	<u>242,930,822</u>	<u>9,756,937</u>	<u>(7,354,177)</u>	<u>1,176,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,907,790)</u>	<u>(9,756,937)</u>	<u>7,354,177</u>	<u>(1,176,001)</u>
Other financing sources (uses)				
Transfers in	116,354,678	0	0	0
Transfers out	<u>(116,906,816)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>(552,138)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>(11,459,928)</u>	<u>(9,756,937)</u>	<u>7,354,177</u>	<u>(1,176,001)</u>
Fund balances, October 1	<u>129,954,638</u>			
Fund balances, September 30	<u>\$ 118,494,710</u>			

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2016

**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	\$ 153,617,520
0	0	0	(3,047,470)	0
0	0	0	100,000	32,948,255
0	0	0	3,429,483	39,617,588
0	0	0	(482,016)	0
0	0	91,191	325,963	2,232,685
0	0	20,001	(325,960)	0
0	0	(1)	0	3,718,175
0	0	111,191	0	232,134,223
2,393,250	207,757	92,337	0	45,358,294
3,357,958	393,836	(253,034)	0	109,608,245
877,892	51,203	(35,288)	0	15,250,095
965,554	59,135	(67,207)	0	27,474,016
162,969	9,108	249	0	6,116,303
152,592	9,620	(9,591)	0	10,204,817
786,998	54,364	(10,611)	0	19,470,976
45,811	64,295	40,054	0	21,165,279
0	0	0	0	0
0	0	0	0	1,210,809
0	0	0	0	0
8,743,024	849,318	(243,091)	0	255,858,834
(8,743,024)	(849,318)	354,282	0	(23,724,611)
0	0	0	0	116,354,678
0	0	0	0	(116,906,816)
0	0	0	0	(552,138)
(8,743,024)	(849,318)	354,282	0	(24,276,749)
				293,838,564
				\$ 269,561,815

Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**Note III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

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

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

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

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

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

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

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

#### A. Budgets and Budgetary Accounting (continued)

4. The County shall require such changes to be made as it shall deem necessary, provided the budget remains in balance and subject to the notice and public hearing requirements of Section 200.065, *Florida Statutes*, and the budget preparation and adoption procedures, as defined in Section 129.03, *Florida Statutes*.
5. Following the successful completion of the above referenced public hearings, the County advertises and subsequently conducts a second public hearing to finally adopt a millage rate and budget for each of the taxing entities under their jurisdiction. These public hearings are ordinarily held prior to October 1, of each year. If, however for some reason the County is unable to finally adopt a budget prior to October 1, state law permits the readoption by resolution of the budget of the preceding year as an interim measure. In its effort to get as much citizen input as possible, the County holds a third public hearing prior to the adoption of a tentative millage rate.
6. Pursuant to the provisions of Section 129.07, *Florida Statutes*, the Board of County Commissioners is prohibited from expending or contracting for the expenditure of any amount in excess of the total amount budgeted in any fund. It is, however, legally permissible at the present time for the budgets of individual departments included within a particular fund to be overexpended in total without requiring mandatory action by either the Board of County Commissioners, the Clerk of the Circuit Court 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, 2016

### Note IV. CASH AND INVESTMENTS

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

	<b>Fair Value</b>	<b>Credit Rating</b>	<b>Duration</b>
Deposits in Qualified Public Depositories	\$ 31,671,061	NA	NA
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	45,763,021	A+f	2.65
Florida Local Government Investment Trust Government Fund (FLGIT)	583,227	AAAf	1.44
Florida PRIME Investment Pool	617,366	AAAm	0.14
Florida Safe Investment Pool	1,169,386	AAAm	N/A
Externally Managed Portfolio:			
Money Market	695,055	AAA	N/A
U.S. Treasuries	24,371,759	AA+	2.25
Government Sponsored Agencies:			
Federal Home Loan Bank	8,580,215	AA+	2.07
Federal National Mortgage Association	7,977,545	AA+	2.15
Other Government Sponsored Agencies	5,329,007	AA+	1.94
MBS	1,430,225	AA+	1.30
CMBS	4,075,778	AA+	1.04
Corporate Bonds	9,704,684	A-	1.37
Corporate Bonds	5,897,882	AA-	1.93
Corporate Bonds	2,830,495	BBB+	0.75
Municipal Bonds	1,299,142	AA	0.94
Asset-backed Securities	7,209,448	AAA	1.21
Total Cash and Investments	<u>\$ 159,205,296</u>		

The County's deposits and investments include \$262,692 accrued interest as of September 30, 2016.

### 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, 2016

**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 (Local Government Surplus Funds Trust Fund), State of Florida Special Purpose Investment Account, direct obligations of the United States or its agencies and instrumentalities, direct obligations of states and municipalities, repurchase agreements, commercial paper, bankers' acceptances, money market mutual funds, the Florida Local Government Investment Trust, and the Florida Municipal Investment Trust (FMIvt).

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### 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, 2016 was A+f. A copy of SPIA's most recent financial statements can be found at [http://www.fltreasury.org/fs\\_01.html](http://www.fltreasury.org/fs_01.html). Investments in this pool are limited to a maximum of 50% of the portfolio. At September 30, 2016, the County had \$45,763,021 with SPIA.

The FLGIT is a local government investment pool created by the Florida Association of 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 AA+ by Standard & Poor's. A copy of FLGIT's most recent financial statements can be found at <http://www.floridatrusionline.com/>. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2016, the County had \$583,227 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, 2016, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AA+ by Standard and Poors. The weighted average of days to maturity of the Florida PRIME at September 30, 2016 is 58 days. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2016, the County had \$617,366 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, 2016

**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, 2016, is 46 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, 2016, the County had \$1,169,386 invested with the FLSAFE. A copy of FLSAFE's most recent financial statements can be found at: [http://www.flSAFE.org/financial\\_statements.aspx](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, 2016, were \$35,471,211. 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, 2016

### **Note IV. CASH AND INVESTMENTS (continued)**

The externally managed portfolio totaled \$79,401,235 at September 30, 2016, and was invested for a weighted average term of 1,191 days, as compared to a weighted average term of 1,210 days in fiscal year 2015. In accordance with its investment policy, the County requires a minimum balance of short-term investments. The portfolio shall maintain in liquid investments (defined as repurchase agreements purchased under the terms of the County's depository contract, open repurchase agreements, negotiable certificates of deposit, banker's acceptance, commercial paper, U. S. Treasury direct and agency obligations, money market funds, all having a maturity of 90 days or less, and the Treasury Special Purpose Investment Account) a minimum balance equal to one-twelfth of the then-current fiscal year's budgeted operating expenditures. The County was in compliance with this requirement.

### **Foreign Currency Risk**

The County contributes to the Florida Retirement System (FRS), the investments of which are administered by the SBA. FRS's investment policy and exposure to foreign currency risk is disclosed in Note 2 of the State of Florida Comprehensive Annual Financial Report. A copy of this report is available at [http://www.myfloridacfo.com/aadir/statewide\\_financial\\_reporting/index.htm](http://www.myfloridacfo.com/aadir/statewide_financial_reporting/index.htm).

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

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, 2016

### 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, 2016:

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

### Note 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 8.314 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.

Amendment 1 to the Florida Constitution became effective on October 1, 2008, with the exception of the ten percent (10%) cap on non-homestead property, which became effective on January 1, 2009. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by an additional \$25,000 (for values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase in homestead exemption, resulting in an estimated savings of \$240 for an average homeowner.

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### **Note V. PROPERTY TAXES (continued)**

Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

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

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

All taxes are due and payable on November 1st of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. No accrual for the property tax levy becoming due in November 2016 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

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

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the seven-year statute of limitations. Since tax certificates were sold for substantially all current year delinquent property taxes, there were no material property taxes receivable at September 30, 2016.

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### Note VI. CAPITAL ASSETS

A. Capital asset activity for the year ended September 30, 2016 was as follows:

#### Primary Government

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital not being depreciated:				
Land	\$ 20,891,310	\$ 0	\$ 0	\$ 20,891,310
Improvements other than buildings	22,752,773	8,658,242	0	31,411,015
Construction/Purchase in progress	15,619,697	1,923,077	(10,581,830)	6,960,944
Total not being depreciated	<u>59,263,780</u>	<u>10,581,319</u>	<u>(10,581,830)</u>	<u>59,263,269</u>
Capital assets being depreciated:				
Buildings	221,571,318	0	0	221,571,318
Equipment	52,329,079	2,202,022	(972,239)	53,558,862
Library collection	3,311,282	673,335	(618,540)	3,366,077
Infrastructure	309,770,976	7,988,191	(75,000)	317,684,167
Total being depreciated	<u>586,982,655</u>	<u>10,863,548</u>	<u>(1,665,779)</u>	<u>596,180,424</u>
Less accumulated depreciation:				
Buildings	(96,146,345)	(6,818,788)	0	(102,965,133)
Equipment	(31,004,272)	(3,636,123)	830,689	(33,809,706)
Library collection	(1,996,684)	(673,215)	618,541	(2,051,358)
Infrastructure	<u>(204,197,900)</u>	<u>(9,447,782)</u>	<u>172,483</u>	<u>(213,473,199)</u>
Total accumulated depreciation	<u>(333,345,201)</u>	<u>(20,575,908)</u>	<u>1,621,713</u>	<u>(352,299,396)</u>
Total being depreciated, net	<u>253,637,454</u>	<u>(9,712,360)</u>	<u>(44,066)</u>	<u>243,881,028</u>
Governmental activities capital assets, net	<u>\$ 312,901,234</u>	<u>\$ 868,959</u>	<u>\$ (10,625,896)</u>	<u>\$ 303,144,297</u>
Business-type activities:				
Capital not being depreciated:				
Land	\$ 1,809,844	\$ 0	\$ 0	\$ 1,809,844
Total not being depreciated	<u>1,809,844</u>	<u>0</u>	<u>0</u>	<u>1,809,844</u>
Capital assets being depreciated:				
Buildings	21,229,840	0	(1,031,546)	20,198,294
Equipment	5,470,517	646,545	(730,345)	5,386,717
Total being depreciated	<u>26,700,357</u>	<u>646,545</u>	<u>(1,761,891)</u>	<u>25,585,011</u>
Less accumulated depreciation:				
Buildings	(12,688,140)	(609,538)	0	(13,297,678)
Equipment	<u>(3,042,119)</u>	<u>(330,608)</u>	<u>456,493</u>	<u>(2,916,234)</u>
Total accumulated depreciation	<u>(15,730,259)</u>	<u>(940,146)</u>	<u>456,493</u>	<u>(16,213,912)</u>
Total being depreciated, net	<u>10,970,098</u>	<u>(293,601)</u>	<u>(1,305,398)</u>	<u>9,371,099</u>
Business-type activities capital assets, net	<u>\$ 12,779,942</u>	<u>\$ (293,601)</u>	<u>\$ (1,305,398)</u>	<u>\$ 11,180,943</u>



Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**Note VI. CAPITAL ASSETS (continued)**

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

Governmental activities:

General government	\$ 5,411,313
Public safety	1,941,787
Physical environment	639,879
Transportation	9,841,439
Human services	184,984
Culture and recreation	<u>2,556,506</u>
Total depreciation expense - governmental activities	<u><u>\$20,575,908</u></u>

Business-type activities:

Landfill	<u>\$ 940,146</u>
Total depreciation expense - business-type activities	<u><u>\$ 940,146</u></u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2016

**Note VII. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A. Interfund Balances as of September 30, 2016, consisted of the following:

	<u><b>Interfund Receivables</b></u>	<u><b>Interfund Payables</b></u>
<b>Primary Government:</b>		
By Major Fund:		
General	\$ 1,128,357	\$ 1,402,780
Fine & Forfeiture	489,939	0
Grants	0	55,668
Total Major Funds	<u>1,618,296</u>	<u>1,458,448</u>
<b>Nonmajor Special Revenue Funds:</b>		
Drug Abuse Trust Fund	0	1,003
911 Emergency Communications	235,469	0
Radio Communications Systems	0	5,950
Special Grants Fund	55,668	46,392
Emergency Management 911 Fees	0	265,672
Emergency Management Grant	0	26,005
Inmate Welfare Fund	316	37,152
Total Nonmajor Special Revenue Funds	<u>291,453</u>	<u>382,174</u>
Total Governmental Funds	<u>1,909,749</u>	<u>1,840,622</u>
<b>Proprietary Funds:</b>		
Communications Trust	0	79,812
Motor Pool	10,685	0
Total Proprietary Funds	<u>10,685</u>	<u>79,812</u>
Total Primary Government	<u>1,920,434</u>	<u>1,920,434</u>
Total Primary Government & Component Unit	<u><u>\$ 1,920,434</u></u>	<u><u>\$ 1,920,434</u></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, 2016

### 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, 2016, consisted of the following:

Transfers to the General Fund from:	
Fine & Forfeiture Fund	\$ 70,759,073
Fire Rescue Services Fund	36,984
Special Assessment Paving Fund	215,480
Nonmajor Governmental Funds	211,411
Enterprise Fund	30,053
Total Transfers to the General Fund	<u>71,253,001</u>
Transfers to the Fine & Forfeiture Fund from:	
General Fund	<u>463,977</u>
Total Transfers to the Fine & Forfeiture Fund	<u>463,977</u>
Transfers to the Grants Fund from:	
General Fund	746,693
Nonmajor Governmental Funds	28,519
Total Transfers to Grants Fund	<u>775,212</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	13,135,000
Nonmajor Governmental Funds	3,756,000
Total Transfers to the Capital Improvement Fund	<u>16,891,000</u>
Transfers to the Nonmajor Funds from:	
General Fund	14,711,173
Fine & Forfeiture Fund	120,000
Grants Fund	121,155
Nonmajor Governmental Funds	10,794,701
Total Transfers to the Nonmajor Funds	<u>25,747,029</u>
Total Transfers to the Governmental Funds	<u>116,354,678</u>
Transfers to the Enterprise Fund from:	
General Fund	<u>582,191</u>
Total Transfers to Enterprise Funds	<u>582,191</u>
<b>Total Interfund Transfers</b>	<b><u>\$ 116,936,869</u></b>

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### 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, 2016, are comprised of the following:

	<b>Outstanding at September 30, 2016</b>
<b>Revenue Bonds:</b>	
\$13,692,000 Capital Improvement Revenue Refunding Bonds, Series 2015, (i) refund the remaining portion of the Capital Improvement Revenue Bonds, Series 2005 of which \$20,040,000 was currently outstanding and maturing in the years 2021 through 2025, and (ii) pay issuance costs on the Series 2015 bonds. The economic gain resulting from the refunding was \$585,711. The bonds dated July 31, 2015 and bear interest of 0.83% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2016. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2017.	\$ 6,886,000
\$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.	12,351,000

Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**Note VIII. LONG-TERM OBLIGATIONS (continued)**

**Outstanding at  
September 30,  
2016**

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**Revenue Bonds:**

\$16,200,000 Capital Improvement Revenue Refunding Bonds, Series 2014, (i) refund a portion of the Capital Improvement Revenue Bonds, Series 2005 of which \$41,415,000 was currently outstanding and maturing in the years 2021 through 2025, and (ii) pay issuance costs on the Series 2014 bonds. The economic gain resulting from the refunding was \$1,695,208. The bonds dated July 23, 2014 and bear interest of 2.69% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2014. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2025.

15,951,002

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

**Total Special Revenue Bond Obligation**

\$ 43,455,002

**Notes Payable:**

Notes payable is comprised of the following at September 30, 2016:

**SunTrust Equipment Finance & Leasing Corp**

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

\$ 836,648

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2016

**Note VIII. LONG-TERM OBLIGATIONS (continued)**

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

<b>Special Revenue Bonds and Notes Payable</b>			
<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 7,639,077	\$ 927,270	\$ 8,566,347
2018	7,183,569	937,375	8,120,944
2019	6,956,000	680,825	7,636,825
2020	7,102,000	533,195	7,635,195
2021	2,919,000	414,556	3,333,556
2022-2026	12,492,002	851,224	13,343,226
Total	<u>\$ 44,291,648</u>	<u>\$ 4,344,445</u>	<u>\$ 48,636,093</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, 2016

**Note VIII. LONG-TERM OBLIGATIONS (continued)**

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

	<b>Balance October 1, 2015</b>	<b>Reductions</b>	<b>Additions</b>	<b>Balance September 30, 2016</b>	<b>Due Within One Year</b>
Governmental Activities:					
Capital Improvement Revenue					
Bonds, Series 2012A	\$ 8,267,000	\$ 0	\$ 0	\$ 8,267,000	\$ 0
Capital Improvement Revenue Refunding					
Bonds, Series 2012B	12,517,000	(166,000)	0	12,351,000	169,000
Taxable Capital Improvement					
Revenue Bonds, Series 2014	16,077,000	(125,998)	0	15,951,002	130,000
Capital Improvement Refunding Revenue					
Bonds, Series 2015	13,692,000	(6,806,000)	0	6,886,000	6,886,000
Total Special Revenue Debt	50,553,000	(7,097,998)	0	43,455,002	7,185,000
Liability for compensated					
absences	15,229,525	(6,933,246)	8,035,795	16,332,074	4,912,175
Pension benefit	77,180,952	(11,875,549)	75,843,522	141,148,925	0
Other postemployment benefits	7,048,844	(259,843)	1,118,545	7,907,546	0
Arbitrage rebate liability	25,000	0	0	25,000	0
Bank of America - Notes payable	1,274,188	(437,540)	0	836,648	484,514
Governmental Activity Long-					
term Debt	<u>\$ 151,311,509</u>	<u>\$ (26,604,176)</u>	<u>\$ 84,997,862</u>	<u>\$ 209,705,195</u>	<u>\$ 12,581,689</u>

	<b>Balance October 1, 2015</b>	<b>Reductions</b>	<b>Additions</b>	<b>Balance September 30, 2016</b>	<b>Due Within One Year</b>
Business-type activities:					
Liabilities for compensated absences	\$ 172,545	\$ (81,101)	\$ 75,565	\$ 167,009	\$ 49,998
Other postemployment benefits	102,074	7,663	16,815	126,552	0
Landfill closure and postclosure					
costs	10,977,531	0	2,811,693	13,789,224	0
Business-type activity Long-term					
liabilities	<u>\$ 11,252,150</u>	<u>\$ (73,438)</u>	<u>\$ 2,904,073</u>	<u>\$ 14,082,785</u>	<u>\$ 49,998</u>

Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**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, 2016

### 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, 2016, the conduit debts outstanding were as follows:

<b>Project Description</b>	<b>Fiscal Year Issued</b>	<b>Original Bond Issue</b>	<b>Principal Outstanding @ 9/30/2016</b>
Holy Comforter Episcopal School	2002	\$ 4,400,000	\$ 2,486,741
Apalachee Center, Inc.	2008	8,500,000	6,006,696
Goodwill Industries - Big Bend, Inc.	2009	2,400,000	1,837,011
Educational Facilities Authority			
Refunding Series 1998A	1998	12,000,000	7,675,000
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, 2016			<u><u>\$ 56,400,448</u></u>

#### Defeased Conduit Debt

Educational Facilities Authority	2002	\$20,485,000	<u><u>\$ 1,145,000</u></u>
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### I. Debt Parity

The Capital Improvement Revenue Bonds, Series 2012A and 2012B, and the Capital Improvement Revenue Refunding Bonds, Series 2014 and 2015, 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, 2016

### Note VIII. LONG-TERM OBLIGATIONS (continued)

	<u>Actual 2013</u>	<u>Actual 2014</u>	<u>Actual 2015</u>	<u>Actual 2016</u>
Pledged revenues:				
Revenues available for debt service:				
Local Government Half-Cent Sales Tax	\$10,899,174	\$11,326,967	\$11,863,075	\$12,176,999
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	842,056	933,969	1,064,344	1,304,581
Total revenues available for debt service	<u>\$13,084,677</u>	<u>\$13,604,383</u>	<u>\$14,270,866</u>	<u>\$14,825,027</u>
Combined maximum annual debt service for debt (Series 2015, Series 2014, Series 2012A, and Series 2012B)	\$ 8,475,795	\$ 8,469,155	\$ 8,385,209	\$ 8,077,654
Debt service coverage	1.54x	1.61x	1.70x	1.84x

### 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 \$13,789,224 reported as landfill closure and post-closure care liability at September 30, 2016, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill cells placed in use. These amounts are based on what it would cost to perform closure and post-closure care in 2016 on those cells placed in use. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The landfill is no longer accepting Class I waste, however it is still accepting residuals from a Class III materials recovery facility and recovered screened materials. Since the landfill is permitted as a single permit, until the entire landfill is closed, the 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, 2016, held investments in the amount of \$7,788,125 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, 2016

### **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 \$13,911,652 at September 30, 2016. The intent of this reserve is to allow for consistent usage fee charges, construction or acquisition of landfill assets and accumulation of closure and post-closure costs. Because funding for closure and post-closure costs associated with unused capacity of landfill cells is to be derived from future usage fees, the rate stabilization reserve does not represent liquid assets available for that purpose.

### **Note 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 1,319 out of a total of 515,916 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, 2016 are available online at [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications/annual\\_reports](http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports).

Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**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, 2015, the date of the latest valuation, the FRS' funded ratio was 85.40% on the valuation funding basis and 83.20% 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, 2016, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2016, 2015, and 2014 were \$12,542,629, \$11,515,094, and \$10,436,940, 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, 2016

**Note X. EMPLOYEE BENEFITS (continued)**

The rates for 2016 and 2015 fiscal years were as follows:

<b>Membership Category</b>	<b>Benefit</b>	<b>Vesting</b>	<b>Employer Contribution Rate</b>	
			<b>July 1, 2015</b>	<b>July 1, 2016</b>
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.	7.26 %	7.52 %
	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.	21.43 %	21.77 %
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.	22.04 %	22.57 %
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.	42.27 %	42.47 %
	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, 2016

### Note X. EMPLOYEE BENEFITS (continued)

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2015	July 1, 2016
Deferred Retirement Option Program (Drop)	For employees in DROP as of June 30, 2011, retirement benefit paid to DROP where it earns 6.5% interest, tax deferred, for up to five years while the member continues to work.	Available to vested members at normal retirement age or date.	12.88 %	12.99 %
	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.			

*Net Pension Liability* - At September 30, 2016, 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, 2016	\$107,752,931	\$33,395,994	\$141,148,925
June 30, 2015	\$49,224,656	\$27,596,296	\$77,180,952

The net pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2016 and July 1, 2015 for the net pension liability as of June 30, 2016 and 2015, respectively.

At September 30, 2016, 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, 2016	0.426742954%	0.282648096%
June 30, 2015	0.381103706%	0.274123595%
Increase in Share for 2016	0.045639248%	0.012424501%

The County's proportionate share of the net pension liability was based on the County's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members of FRS.

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### **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 7.60%. 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 2.85% 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 2016:

- FRS: The long-term expected rate of return was decreased from 7.65% to 7.60%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was decreased from 3.80% to 2.85%.

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### Note X. EMPLOYEE BENEFITS (continued)

The actuarial assumptions that determined the total pension liability as of June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Valuation Date	July 1, 2015	July 1, 2016
Measurement date	June 30, 2015	June 30, 2016
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* - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016 the FRS Actuarial Assumption Conference reviewed long-term assumptions developed by capital market assumptions teams from both Milliman and Aon Hewitt Investment Consulting, investment consultants to the Florida State Board of Administration. The table below shows 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. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. 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. The 2016 FRS Actuarial Assumption Conference selected a return assumption of 7.60%, which is a prescribed assumption as defined by ASOP 27.



# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### Note X. EMPLOYEE BENEFITS (continued)

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	4.70%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
Total	100.00%			
Assumed Inflation - Mean		2.60%		1.90%

(1) As in the Pension Plan's investment policy

*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, 2016.

<b>FRS Net Pension Liability</b>		
<b>1% Decrease 6.60%</b>	<b>Current Discount Rate 7.60%</b>	<b>1% Increase 8.60%</b>
\$46,487,103,997	\$25,250,078,485	\$7,573,059,453

<b>HIS Net Pension Liability</b>		
<b>1% Decrease 1.85%</b>	<b>Current Discount Rate 2.85%</b>	<b>1% Increase 3.85%</b>
\$13,370,457,697	\$11,654,585,746	\$10,230,505,691

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### **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, 2016 was 6.4 years for FRS and 7.2 for HIS. The components of collective pension expense reported in the pension allocation schedules for the year ended June 30, 2016 are presented for each plan.

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### 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, 2016 are presented below and are used to calculate Leon County's share of the pension plan for 2016 which is 0.426742954%:

	<b>Total</b>	<b>Expense</b>	<b>Deferred Outflows</b>	<b>Deferred (Inflows)</b>	<b>Amortization Period</b>
<b>Beginning Net Pension Liability at June 30, 2015</b>	\$ 12,916,341,186				
<b>Service Cost</b>	2,132,905,650	2,132,905,650			
<b>Interest on Total Pension Liability</b>	12,109,113,805	12,109,113,805			
<b>Plan Changes</b>	32,310,000	32,310,000			
<b>Experience Assumptions</b>	980,191,881 1,030,667,368	339,193,825 360,414,073	1,933,340,218 1,527,554,171	(235,095,289)	6.4 Years 6.4 Years
<b>Employer Contributions</b>	(2,438,659,458)				
<b>Projected Investment Earnings</b>	(11,075,395,463)	(11,075,395,463)			
<b>Member Contributions</b>	(710,716,815)	(710,716,815)			
<b>(Gain)/Loss on Investments</b>	10,254,813,091	643,769,480	6,526,837,479		5.0 Years
<b>Administrative Expense</b>	18,507,240	18,507,240			
<b>Net Pension Liability at June 30, 2016</b>	\$ 25,250,078,485	\$ 3,850,101,795	\$ 9,987,731,868	\$ (235,095,289)	

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2016

**Note X. EMPLOYEE BENEFITS (continued)**

For the fiscal year ended September 30, 2016, the County recognized pension expense of \$17,241,588 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:

<b>Description</b>	<b>Deferred Outflows of Resources for the FRS Plan</b>	<b>Deferred Inflows of Resources for the FRS Plan</b>
Differences between expected and actual experience	\$ 8,250,393	\$ (1,003,252)
Change of assumptions	6,518,730	0
Net difference between projected and actual earnings on FRS Plan investments	27,852,819	0
Changes in proportion and differences between County FRS Plan contributions and proportionate share of contributions	8,516,771	(3,548,524)
County FRS Plan contributions subsequent to the measurement date	<u>2,604,166</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 53,742,879</u></b>	<b><u>\$ (4,551,776)</u></b>

The deferred outflows of resources related to the Pension Plan, totaling \$2,604,166 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, 2016. 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:

<b>Reporting Period Ending June 30</b>	<b>FRS Expense</b>
<b>2017</b>	\$6,544,319
<b>2018</b>	6,544,319
<b>2019</b>	17,403,077
<b>2020</b>	12,428,210
<b>2021</b>	2,728,891
<b>Thereafter</b>	938,120
<b>Totals</b>	<b>\$46,586,936</b>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2016

**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, 2016 are presented below and are used for to calculate Leon County's share for 2016 which is 0.286548096%.

	<b>Total</b>	<b>Expense</b>	<b>Deferred Outflows</b>	<b>Deferred (Inflows)</b>	<b>Amortization Period</b>
<b>Beginning Net Pension Liability at June 30, 2015</b>	\$ 10,198,426,975				
<b>Service Cost</b>	256,710,220	256,710,220			
<b>Interest on Total Pension Liability</b>	390,757,053	390,757,053			
<b>Experience Assumptions</b>	(30,826,289)	(4,281,429)		(26,544,860)	7.2 Years
<b>Employer Contributions</b>	1,352,459,162	325,908,378	1,828,900,798		7.2 Years
<b>Projected Investment Earnings</b>	(512,563,741)				
<b>(Gain)/Loss on Investments</b>	(3,106,220)	(3,106,220)			
<b>Administrative Expense</b>	2,541,015	2,168,899	5,892,810		5.0 Years
<b>Net Pension Liability at June 30, 2016</b>	187,571	187,571			
	\$ 11,654,585,746	\$ 968,344,472	\$ 1,834,793,608	(26,544,860)	

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2016

**Note X. EMPLOYEE BENEFITS (continued)**

For the fiscal year ended September 30, 2016, the County recognized pension expense of \$2,875,617 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:

<b>Description</b>	<b>Deferred Outflows of Resources for the HIS Plan</b>	<b>Deferred Inflows of Resources for the HIS Plan</b>
Differences between expected and actual experience	\$ 0	\$ (76,064)
Change of assumptions	5,240,681	0
Net difference between projected and actual earnings on HIS Plan investments	16,886	0
Changes in proportion and differences between County HIS Plan contributions and proportionate share of contributions	1,342,063	(554,989)
County HIS Plan contributions subsequent to the measurement date	<u>339,807</u>	<u>0</u>
Total	<u>\$ 6,939,437</u>	<u>\$ (631,053)</u>

The deferred outflows of resources related to the HIS Plan, totaling \$339,807 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, 2016. 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:

<b>Reporting Period Ending June 30</b>	<b>HIS Expense</b>
<b>2017</b>	\$1,028,675
<b>2018</b>	1,028,675
<b>2019</b>	1,025,460
<b>2020</b>	1,023,916
<b>2021</b>	979,953
<b>Thereafter</b>	881,899
<b>Totals</b>	<b>\$5,968,578</b>

Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**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, 2016

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

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

	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
Normal cost (service cost for one year)	\$ 395,518	\$ 395,518	\$ 505,874
Amortization of unfunded actuarial accrued liability	696,174	696,174	580,344
Interest on normal cost and amortization	43,668	43,668	43,449
Annual required contribution	1,135,360	1,135,360	1,129,667
Interest on net OPEB obligation	286,037	250,076	213,804
Adjustment to annual required contribution	(397,633)	(347,642)	(297,219)
Annual OPEB cost	1,023,764	1,037,794	1,046,252
Contributions made	(153,796)	(138,793)	(139,433)
Increase in net OPEB obligation	869,968	899,001	906,819
Net OPEB obligation at beginning of year	7,150,918	6,251,917	5,345,098
Net OPEB obligation at end of year	<u>\$ 8,020,886</u>	<u>\$ 7,150,918</u>	<u>\$ 6,251,917</u>

The percentage of annual OPEB cost contributed to the plan for fiscal year 2016, 2015, and 2014, was 15.02%, 13.37%, and 13.33%, respectively.



# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### **Note X. EMPLOYEE BENEFITS (continued)**

#### *Funded Status and Funding Progress*

As of September 30, 2016, the County's actuarial accrued liability for benefits recognized in the County's financial statements was \$12,519,788, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the plan) was \$84,749,884. The ratio of the County's actuarial accrued liability to the County's covered payroll was 14.77% at September 30, 2016.

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

#### *Actuarial Methods and Assumptions*

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

For the October 1, 2014 actuarial valuation, the projected unit credit method of funding was used. The objective under that method is to fund each participant's benefits under the plan as they would accrue, taking into consideration the plan's benefit allocation formula. Thus, the total benefit value each participant is expected to become entitled to is broken down into units, each associated with a year of past or future credited service. The actuarial assumptions included a 4% rate of return based on the estimated long-term investments that are expected to be used to finance the payment of the benefits. In addition, the actuarial assumptions included a 3% salary growth rate. 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, 2016, was 30 years.

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### 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. The County maintained a \$10,000 deductible with the insurance carrier.

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

	<b>Beginning of Fiscal Year</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year End</b>
September 30, 2016	\$ 9,695	\$ 275,395	\$ 0	\$ 285,090
September 30, 2015	\$ 10,281	\$ (586)	\$ 0	\$ 9,695

The claims liability of \$285,090 includes an actuarial valuation for incurred but not yet reported claims of \$10,000.

#### 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, 2016, the County had \$92,603 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 \$3,773,824, which includes an actuarial evaluation for incurred but not reported claims of \$2,465,006, is included in other current liabilities and reported in the Internal Service Fund at September 30, 2016. 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, 2016

### 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, 2016	\$ 3,665,220	\$ 1,158,604	\$ (1,050,000)	\$ 3,773,824
September 30, 2015	\$ 2,781,151	\$ 1,847,069	\$ (963,000)	\$ 3,665,220

#### 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, 2016 was \$182,452.

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, 2016	\$ 4,847	\$ 20,794	\$ 0	\$ 25,641
September 30, 2015	\$ 5,140	\$ (293)	\$ 0	\$ 4,847

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

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### **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, 2016 was \$395,128.

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, 2016, the Sheriff maintained an excess insurance policy that provides a maximum specific benefit of \$250,000 per covered person, for claims in excess of \$80,000 reported during the annual contract term. The premium required for the year ended September 30, 2016 was \$64,965.

### **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, 2016

**Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (continued)**

**C. Deficit Fund Balances**

There were no funds with deficit fund balances as of September 30, 2016.

**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, 2016

### 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
<b>Nonspendable:</b>				
Inventory	\$ 699,203	\$ 0	\$ 2,211	\$ 701,414
Prepaid assets	44,698	0	15,000	59,698
Total nonspendable	743,901	0	17,211	761,112
<b>Restricted for:</b>				
Federal and state grants and other purposes	0	2,062,892	372,317	2,435,209
Major non-transportation related capital projects and facilities	0	29,391,988	0	29,391,988
Debt service	0	0	103,135	103,135
Public improvement revenue bond projects	0	0	19,967,308	19,967,308
Impact fee - road improvements	0	0	359,863	359,863
Enabling legislation	0	0	15,946,998	15,946,998
Total restricted	0	31,454,880	36,749,621	68,204,501
<b>Committed for:</b>				
Minimum reserve requirement	4,813,626	187,128	0	5,000,754
Fire protection services	0	1,230,523	0	1,230,523
Emergency medical services	0	0	9,020,681	9,020,681
Environmental management	0	0	525,507	525,507
Building inspections	0	0	2,245,648	2,245,648
Unincorporated stormwater maintenance	0	0	1,105,834	1,105,834
Unincorporated municipal services	0	0	1,176,284	1,176,284
City sewer service distribution	0	0	5,331	5,331
County accepted roadways and drainage program (CARDS)	0	418,432	0	418,432
Total committed	4,813,626	1,836,083	14,079,285	20,728,994
<b>Assigned for:</b>				
Beginning appropriated fund balance	2,537,322	0	38,860	2,576,182
Carry-forward appropriations	7,528,656	250,000	74,650	7,853,306
General government	0	0	161,016	161,016
Public safety	0	810,392	1,184,486	1,994,878
Total assigned	10,065,978	1,060,392	1,459,012	12,585,382
<b>Unassigned:</b>	16,214,721	0	0	16,214,721
<b>Total Fund Balances</b>	<b>\$31,838,226</b>	<b>\$34,351,355</b>	<b>\$52,305,129</b>	<b>\$118,494,710</b>

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### 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, 2016 are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2017	\$ 815,353
2018	478,668
2019	468,908
2020	461,423
2021	416,648
2019-2023	206,943
Total minimum payments	<u>\$ 2,847,943</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 2016. 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, 2016, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2017	\$ 70,115
2018	9,722
Total minimum payments	<u>\$ 79,837</u>

# Leon County, Florida

## Notes to the Financial Statements

Year Ended September 30, 2016

### 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 2016. 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:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2017	\$ 269,964
2018	275,400
2019	280,835
2020	286,308
2021	292,197
2022-2026	<u>1,523,418</u>
Total minimum payments	<u>\$ 2,928,122</u>

Rental expense for the year ended September 30, 2016 was \$213,059.



Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**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, 2016, aggregate future minimum payments under non-cancelable operating leases with remaining terms equal to or exceeding one year are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2017	\$ 923,733
2018	930,411
2019	784,178
2020	669,887
2021	672,680
2022-2026	2,942,425
2027-2031	2,797,061
2032-2033	978,970
Total minimum payments	<u><u>\$10,699,345</u></u>

Lease expenditures incurred under operating leases for the year ended September 30, 2016 were \$853,753.

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, 2016, equipment lease expenses were \$132,334. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2017	\$ 25,169
2018	12,875
2019	12,875
2020	3,370
Total minimum payments	<u><u>\$ 54,289</u></u>

Leon County, Florida  
Notes to the Financial Statements  
Year Ended September 30, 2016

**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, 2016, for each of the next five years and in the aggregate are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2017	\$ 88,368
2018	88,368
2019	61,500
2020	61,500
2021	61,500
2021-2023	<u>107,625</u>
Total minimum payments	<u><u>\$ 468,861</u></u>

Rent expense paid during the fiscal year ended September 30, 2016 was \$92,223.

On June 27, 2010, the Clerk entered into an agreement for installation and implementation of new software. The total fees under this contract \$1,204,014. As of September 30, 2016, the remaining balance on the contract totaled \$399,360. The remaining balance will be paid in subsequent years based on the implementation of the civil and criminal case maintenance systems. There has not been a date setup from the criminal case maintenance system implementation.

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

**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, 2016

### **Note XIV. COMMITMENTS AND CONTINGENCIES (continued)**

#### **Long-Term Construction Projects**

The County is committed to various material long-term construction projects at September 30, 2016. These commitments have been included in the 2015-2016 fiscal year budget and the five-year Capital Improvement Program and certain amounts have been reserved in the capital projects fund. Current contracts outstanding as of the report date approximate \$2.9 million as compared to \$4.1 million at September 30, 2015.

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.

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

## Leon County, Florida

### Notes to the Financial Statements

Year Ended September 30, 2016

#### **Note XIV. COMMITMENTS AND CONTINGENCIES (continued)**

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

The first matter was a "claim" by the Estate of a county citizen and an FSU Law School Professor that was shot and killed at his home. Two persons have been arrested and prosecutions are now pending. The Estate of the deceased professor filed a "claim" against the CDA alleging improper dispatch of the EMS. The "claim" was settled by the CDA's insurance carrier for \$40,000.00, without any contribution by the County (or City).

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

#### **C. Subsequent Events**

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

Effective April 1, 2017, Emergency Management will transfer from a function of the Leon County Sheriff to a function of the Board of County Commissioners. In essence, eight staff members associated with E-911 and Emergency Management will now report to County Administration. E-911 functions will still be funded by dedicated E-911 revenue and grants associated with Emergency Management, which will be transferred from the Sheriff to the Board of County Commissioners. The County has evaluated subsequent events through February 29, 2016, the date the financial statements were available to be issued.

The County has evaluated subsequent events through April 10, 2017, 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\*

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Leon County's proportion of the net pension liability	0.426742954 %	0.381103706 %	0.373806519 %	0.387480733 %
Leon County's proportionate share of the net pension liability	\$ 107,752,931	\$ 49,224,656	\$ 22,807,695	\$ 66,702,680
Leon County's covered-employee payroll	\$ 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	127.14 %	59.00 %	28.27 %	83.01 %
Plan fiduciary net position as a percentage of the total pension liability	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\*

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contribution	\$ 10,406,807	\$ 9,291,632	\$ 8,187,949	\$ 5,214,322
Contributions in relation to the contractually required contribution	(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>
Leon County's covered-employee payroll	\$ 84,749,884	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Contributions as a percentage of covered-employee payroll	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\*

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Leon County's proportion of the net pension liability	0.286548096 %	0.274123595 %	0.270973192 %	0.279295965 %
Leon County's proportionate share of the net pension liability	\$ 33,395,994	\$ 27,956,296	\$ 25,336,655	\$ 24,316,386
Leon County's covered-employee payroll	\$ 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	39.00 %	33.92 %	31.41 %	30.26 %
Plan fiduciary net position as a percentage of the total pension liability	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\*

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contribution	\$ 1,468,742	\$ 1,047,871	\$ 928,263	\$ 914,903
Contributions in relation to the contractually required contribution	(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>
Leon County's covered-employee payroll	\$ 84,749,884	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Contributions as a percentage of covered-employee payroll	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, 2016

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Acturial Accrued Liability</b>	<b>Unfunded Acturial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Acturial Accrued Liability as a percentage of covered payroll</b>
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, 2016, 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 10, 2017

**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 opinions 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. 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 2016-006.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

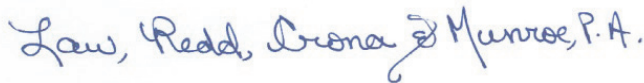
We noted certain other matters pursuant to the Chapter 10.550, *Rules of the Auditor General* that we have reported to the management of Leon County, Florida in a separate letter dated April 10, 2017.

**Thomas Howell Ferguson P.A.**



Tallahassee, Florida  
April 10, 2017

**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, 2016. 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 Statewide Surface Water Restoration and Wastewater Projects, CSFA 37.039**

As described in finding number 2016-006 in the accompanying Schedule of Findings and Questioned Costs, Leon County, Florida did not comply with requirements regarding the Statewide Surface Water Restoration and Wastewater Projects, CSFA 37.039, for reporting and requests for reimbursement. 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 Statewide Surface Water Restoration and Wastewater Projects, CSFA 37.039**

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 Statewide Water Restoration and Wastewater Projects, CSFA 37.039 for the year ended September 30, 2016.

**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, 2016.

**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 2016-006 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 Required by the Uniform Guidance**

We have audited the financial statements of Leon County, Florida as of and for the year ended September 30, 2016, and have issued our report thereon dated April 10, 2017, 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 10, 2017

**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, 2016**

<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>
<b>FEDERAL AWARDS</b>			
<b><u>U.S. Department of Agriculture</u></b>			
Pass through Florida Department of Financial Service: Schools and Roads - Grants to States	10.665	USFOR2015	56,177
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Pass through Florida Department of Economic Opportunities Community Development Block Grants	14.228	10DB-K4-02-47-01-K21	1,673
<b><u>U.S. Department of Interior</u></b>			
Direct Program Payment in Lieu of Taxes	15.226	Unknown	206,015
<b><u>U.S. Department of Justice</u></b>			
Direct Program Equitable Sharing Program	16.922	Unknown	45,000
Pass through State of Florida Office of the Attorney General Crime Victim Assistance	16.575	V042-15151	47,257
Direct Program Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0400	147,411
Pass through Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-JAGC-LEON-1-R3-148	12,096
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-JAGC-LEON-2-H3-115	36,122
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-JAGC-LEON-1-H3-104	55,668
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0740	22,027
<b>Total CFDA # 16.738</b>			<b>125,913</b>
<b><u>U.S. Department of State</u></b>			
Pass through Florida Department of State Help America Vote Act Requirements Payments	90.401	MOA 2015-2016-0001-LEO	32,147
Help America Vote Act Requirements Payments	90.401	MOA 2015-2016-0004-LEO	13,113
<b>Total CFDA # 90.401</b>			<b>45,260</b>
Voting Access for Individuals With Disabilities-Grants to States	93.617	MOA 2015-2016-0005-LEO	9,447
<b><u>U.S. Department of Transportation</u></b>			
Pass through Florida Department of Transportation Highway Planning and Construction	20.205	409803-7-58-01	498,508
Highway Planning and Construction	20.205	413491-1-52-01	1,040,580
Pass through Florida Department of Environmental Protection Recreational Trails Program	20.219	T1005	30,829
<b>Total CFDA # 20.205 &amp; 20.219 Highway Planning and Construction Cluster</b>			<b>1,569,917</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Pass through Florida Department of Revenue Child Support Enforcement-Service of Process	93.563	CST37	17,661
Child Support Enforcement-Title IV D Incentive	93.563	Unknown	3,114
Child Support Enforcement-Title IV D	93.563	COC37	372,227
<b>Total CFDA # 93.563</b>			<b>393,002</b>
<b><u>U.S. Department of Homeland Security, Office of Domestic Preparedness</u></b>			
Pass through Florida Division of Emergency Management Homeland Security Grant Program	97.067	14-DS-L5-02-47-01-261	9,577
Homeland Security Grant Program	97.067	15-DS-P4-02-47-23-314	27,758
Homeland Security Grant Program	97.067	15-DS-P4-02-47-23-386	11,606
Homeland Security Grant Program	97.067	16-DS-T9-02-47-23-315	38,851
Homeland Security Grant Program	97.067	16-DS-T9-02-47-23-349	25,000
<b>Total CFDA # 97.067</b>			<b>112,792</b>

(continued)

**Leon County Board of County Commissioners**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)**  
**For the Year Ended September 30, 2016**

Federal / State Agency Pass-through Entity <u>Federal Program / State Project</u>	CFDA or CSFA <u>Number</u>	Grant Contract <u>Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS (continued)</b>			
<b><u>Federal Emergency Management Agency</u></b>			
Pass through Florida Department of Emergency Management Emergency Management Performance Grants	97.042	16-FG-5A-02-47-01-103	67,509
<b><u>U.S. Department of Energy</u></b>			
Pass through Florida Department of Agriculture and Consumer Services State Energy Program	81.041	G0435	<u>48,471</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 2,875,844</u></b>

(continued)

**Leon County Board of County Commissioners**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)**  
**For the Year Ended September 30, 2016**

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures
<b>STATE FINANCIAL ASSISTANCE</b>			
<b><u>State of Florida Division of Emergency Management</u></b>			
Direct Project			
Emergency Management Programs	31.063	16-BG-83-02-47-01-036	79,362
<b><u>Florida Department of Environmental Protection</u></b>			
Direct Projects			
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP37111	276,727
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP37110	29,496
<b>Total Florida Department of Environmental Protection</b>			<u>306,223</u>
<b><u>Florida Department of Agriculture and Consumer Services</u></b>			
Direct Project			
Mosquito Control	42.003	Unknown	45,156
<b><u>Florida Department of State</u></b>			
Direct Project			
State Aid to Libraries	45.030	16-ST-28	184,255
<b><u>Florida Housing Finance Corporation</u></b>			
Direct Project			
State Housing Initiatives Partnership Program	40.901	SHIP 14	102,630
<b><u>Florida Department of Health</u></b>			
Direct Projects			
County Grant Awards	64.005	C3037	40,758
County Grant Awards	64.005	C4037	41,036
Emergency Medical Services Matching Awards	64.003	M4080	38,625
Emergency Medical Services Matching Awards	64.003	M4081	35,486
<b>Total Florida Department of Health</b>			<u>155,905</u>
<b>Total Expenditures of State Financial Assistance</b>			<u>\$ 873,531</u>

**NOTES:**

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

Community Development Block Grant-Entitlement	14.218	\$ 624,388
State Housing Initiatives Partnership Program	40.901	2,223,195
		<u>\$ 2,847,583</u>

- (3) There were no transfers to subrecipients during the fiscal year.
- (4) Leon County has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Leon County Board of County Commissioners**  
**Schedule of Findings and Questioned Costs**  
**Year ended September 30, 2016**

*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 Interior
		Direct Program
	15.226	Payment in Lieu of Taxes
		U.S. Department of Transportation
		Pass through Florida Department of Transportation
		Highway Planning and Construction Cluster
	20.205	Highway Planning and Construction
		Pass through Florida Department of Environmental Protection
	20.219	Recreational Trails Program
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.*

**Leon County Board of County Commissioners**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year ended September 30, 2016**

*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 financial reportings:	
Significant deficiency(ies) identified?	No
Significant deficiency(ies) identified considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	No

**State Financial Assistance Awards**

Internal control over major projects:	
Significant deficiency(ies) identified?	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)(l)(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 Department of Environmental Protection
		Direct Project
	37.039	Statewide Surface Water Restoration and Wastewater Projects
		Florida Department of State
		Direct Project
	45.030	State Aid to Libraries

Dollar threshold used to distinguish between Type A and Type B projects:	\$262,059
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**Section II -- Financial Statement Findings**

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

**Section III -- State Financial Assistance Findings and Questioned Costs**

See Finding 2016-006 in Section III.

## **Leon County Board of County Commissioners**

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

*Year ended September 30, 2016*

#### **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)(1)(4), *Rules of the Auditor General*.

#### **SIGNIFICANT DEFICIENCY**

##### **FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION**

##### **2016-006 Statewide Surface Water Restoration and Wastewater Projects, Grant Numbers LP37111 and LP37110, CSFA 37.039**

*Criteria:* The Florida Department of Environmental Protection agreements LP37111 for the Robinson Road Flood Relief Project and LP37110 for the Leon County Septic to Sewer Project require that Quarterly Progress Reports be submitted no later than 20 days following the completion of the reporting period. The agreements also require disbursement request packages be submitted upon receipt and acceptance of certain deliverables. A final disbursement package for the Septic to Sewer Project was due on November 30, 2016.

*Condition:* During audit procedures performed, it was noted that Quarterly Progress Reports and the 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. The total amounts eligible for reimbursement for the two agreements at September 30, 2016 were \$350,000 and \$56,086, respectively.

*Cause:* Untimely quarterly reporting and requests for reimbursement.

*Effect:* Noncompliance in regards to reporting and submission of disbursement requests packages could result in termination of the agreements.

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

*Recommendation:* In order to remain in compliance with the agreements, the required reports and disbursement requests should be submitted as required in accordance with the agreements.

*Views of responsible officials and planned corrective actions:* We agree with the recommendation. Due to employee reclassifications, the decision was made to decentralize the monitoring of grants to the departmental level. Unfortunately, the specifics of that monitoring, including but not limited to reporting requirements, were not adequately communicated. Management will make sure that all departments that are responsible for grant monitoring are made aware of all compliance requirements, including timeliness of reporting.

**Leon County Board of County Commissioners**

**Summary Schedule of Prior Audit Findings**

*Year ended September 30, 2016*

**Federal Awards and State Financial Assistance:**

**Federal Programs**

There were no prior Federal program audit findings.

**State Projects**

There were no prior State project audit findings.



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

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 10, 2017, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address 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, 2016, 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, 2016. 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*.

## **Other Matters**

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

### **Board of County Commissioners 2016-001 – Bank reconciliations**

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

#### *Management's response:*

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

### **2016-002 – IT Controls**

Our inspection of user access rights identified 12 Banner (the BOCC's general ledger system) users had combinations of Banner classes and forms allowing the ability to update employee positions, to update employee data, and to run employee payroll. MIS Division personnel removed access permissions of three of the 12 users to human resource and payroll supervisor classes and determined that the remaining users' access was appropriate. However, the existence of unnecessary user access rights demonstrates the need for improved monitoring of Banner access rights. We also noted that Banner user accounts still existed for two terminated employees. Although the two former employees had been removed from network access, the risk that their Banner accounts could be accessed and misused by other employees with access to the Board network still exists. Mitigating controls such as user controls, reconciliation procedures, and monitoring of user access by Finance and Human Resource offices exist to minimize the risk of undetected and unauthorized update activity. Access management duties are also separated in that the MIS Division adds and disables users and the Treasury Manager assigns the classes and

**2016-002 – IT Controls (continued)**

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

*Management's response:*

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

**2016-003 – Duplicate invoice**

The existence of a duplicate vendor payment was identified through our tests of vendor payments and discussions with management. The duplicate payment was not detected due to override of a system control that prevents duplicate invoice numbers from being entered. Due to this condition, management inspected all invoices processed by the employee that overrode the control during a five-month period and also evaluated all accounts payable transactions for evidence of other duplicate invoices paid for that period. Those procedures performed by management identified no additional duplicate payments. To correct this deficiency in controls over vendor payments, management retrained both Disbursement and General Accounting staff on procedures for auditing invoices, re-implemented the policy of printing, reviewing, and signing off on the Open/Pending Invoices Report, and requested an automated work flow queue to be included with the implementation of the new financial software, Banner 9.0. Management is also developing a consistent naming convention for payment requests that do not include a vendor provided invoice number. We recommend the Board and the County's internal audit department continue to perform monitoring over this process and that training be provided to accounts payable personnel regarding the newly implemented procedures. We recommend the Board implement a timely review process to detect any overrides of the newly implemented system controls.

*Management's response:*

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

#### **2016-004 – Purchase Card Policies and Procedures**

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

*Management's response:*

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

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

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

*Management's response:*

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

**Clerk of the Circuit Court**  
**16-01 – IT Controls**

The Clerk's office has elected not to system-enforce certain password controls. Users are not required to use complex passwords or to periodically change their passwords. We recommend revising the password policy to strengthen password encryption which will reduce the risk of weak passwords being compromised by persons unauthorized to access the Clerk network and/or the Benchmark applications, thereby reducing the risk of unauthorized disclosure, modification, or destruction of Clerk data and IT resources. During our testing of access rights, we noted several instances where controls over access can be improved. In Benchmark, the case management system, excessive users had access to change roles and rights. We also noted duplicate user accounts. In RealAuction, online auction software, we noted that several terminated employees still had access. We recommend regular evaluation of users and access rights to software systems. In Banner, the general ledger software, we noted several employees had combinations of access that allowed the ability to update employee information and run payroll. We also noted that certain mitigating controls were not functioning as intended. We recommend the Clerk continue to review Banner access and revise monitoring controls on payroll changes.

*Management's Response*

We agree with these recommendations. A new system level security and password policy was implemented December 30, 2016, which establishes a standard for creation of strong passwords, the protection of those passwords, and the frequency in which passwords should be changed. In Benchmark, the ability to assign rights and roles has been limited to only the Clerk's CIS Department. In RealAuction, a listing of active users was requested and access for all former employees was terminated. In regards to Banner access, an evaluation was performed on all users with access to either Payroll or Human Resources. All users with dual rights were addressed by limiting the user to query only access, dependent upon the role in which they serve. Any users that did not require access to either Payroll or Human Resources had their rights removed.

**16-02 – Duplicate invoice controls**

In discussions with management, Clerk staff disclosed the identification of two duplicate payments during the audit period, which are not considered material to the financial statements. The duplicate payments were not detected due to override of a system control that prevents duplicate invoice numbers from being entered. In order to correct the condition that allowed the duplicate payments to occur, management retrained both Disbursement and General Accounting staff on procedures for auditing invoices, re-implemented the policy of printing, reviewing, and signing off on the Open/Pending Invoices Report, requested an automated work flow queue, which will be included with the implementation of the new financial software, Banner 9.0, and are in the process of developing a consistent naming convention for payment requests that do not include a vendor provided invoice number. We recommend the Clerk's office and the County's internal audit department continue to perform monitoring over this process and that training be provided to accounts payable personnel regarding the newly implemented procedures. We recommend the Clerk's office implement timely review process to detect any overrides of the system control.

#### **16-02 – Duplicate invoice controls (continued)**

##### *Management's Response*

We agree with the recommendation. In addition to the steps already taken to address this issue, the Internal Audit Department will begin using CaseWare IDEA to perform analytical reviews of all disbursements to ensure that all payments to the same vendor are unique transactions. Furthermore, the Clerk has requested immediate implementation of Banner 9.0 (the County's Financial System). This version of Banner will allow for electronic workflow processing which will significantly decrease the potential for human error which exists in the current paper-driven accounts payable processing system.

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 noted the following:

##### **Clerk of the Circuit Court**

#### **16-03 – Juror payments**

An instance of noncompliance with *Florida Statute* 40.32(3) regarding the timeliness of juror payments was noted. It was noted that one batch of checks was dated the last date of service and not the date the checks were written. We recommend the Clerk's office pay jurors within 20 days as required under *Florida Statute* 40.32(3) and ensure the issued date agrees to the date on the check.

##### *Management's Response*

We agree with the recommendation. The circumstances that allowed for the creation of the batch of checks with the wrong date was identified as a coding error and subsequent changes were made to the system to ensure that the date the checks are written is used as the check date. In addition, the Clerk's Office is in the process of migrating to new check writing software for Juror checks.

#### **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.**



Tallahassee, Florida

April 10, 2017

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



Tallahassee, Florida