

**Replacement Agenda Item #3
and
Attachment #1 for Agenda Item #3
for meeting of
June 18, 2019**

CONSENT

3. FY 2017/2018 Annual Audit and Financial Statements
(Clerk of Court/ Finance)

This replacement item reflects the status of the Draft Annual Audit and Financial Statements for FY 2018 provided by the Clerk of Courts & Comptroller.

Includes Attachment #1. Annual Audit and Financial Statements for FY 2017/2018

Leon County Board of County Commissioners
Replacement
Agenda Item #3
June 18, 2019

To: Honorable Chairman and Members of the Board

From: Gwen Marshall, Clerk of the Circuit Court and Comptroller

Title: FY 2017/2018 Annual Audit and Financial Statements

Review and Approval:	Vincent S. Long, County Administrator
Department/ Division Review:	Alan Rosenzweig, Deputy County Administrator Scott Ross, Director, Office of Financial Stewardship
Lead Staff/ Project Team:	Kimberly Wilder, Director of Finance Kenneth Kent, Director of Civil Courts

Statement of Issue:

This agenda item seeks the Board's acceptance of the annual external audit and the County's financial statements, and approval for the Chairman to sign the letter transmitting these reports to the Auditor General in compliance with Florida Statutes.

Fiscal Impact:

This item has no current fiscal impact; however, an annual audit is required by state statute, and if it were not completed, it would jeopardize federal, state, and local revenues.

Staff Recommendation:

Option #1: Accept the FY 2017/18 Annual Audit and Financial Statements (Attachment #1) and authorize the Chairman to sign a letter transmitting the report to the Auditor General (Attachment #2).

Report and Discussion

Background:

Florida Statutes, Section 11.45, requires the Board to obtain an independent audit of the County's financial statements on an annual basis. The Board contracted for an independent audit with Thomas Howell Ferguson P.A., and Law, Redd, Crona, & Munroe P.A., Certified Public Accountants. Due to transition to a new Finance Department management team, the audit is in draft and is being finalized by the external auditors. The audit and financial report are provided to the Board for review under the Clerk's transmittal memorandum (Attachment #1).

Analysis:

The reports on internal control, compliance and the management letter from the Board's external auditors are included in pages 43 to 53 of the Special-Purpose Financial Statements in Attachment #1. There are three audit recommendations which have been accepted by management. The implementation of the recommendations is in progress. The letter transmitting the Management Letter (Attachment #2) will be forwarded to the Auditor General.

Options:

1. Accept the FY 2017/2018 Annual Audit and Financial Statements (Attachment #1), and authorize the Chairman to sign the letter transmitting the report to the Auditor General (Attachment #2).
2. Do not accept the FY 2017/2018 Annual Audit and Financial Statements.
3. Board direction.

Recommendation:

Option # 1

Attachments:

1. Transmittal Memorandum from the Clerk of the Circuit Court & Comptroller and the Annual Audit and Financial Statements for FY 2017/2018
2. Draft Response transmitting the report to the Auditor General



THE HONORABLE
GWEN MARSHALL

CLERK OF THE CIRCUIT COURT AND COMPTROLLER

CLERK OF COURTS • COUNTY COMPTROLLER • AUDITOR • TREASURER • RECORDER

June 14, 2019

Leon County Board of County Commissioners
301 S. Monroe Street
Tallahassee, Florida 32301

The Honorable Board of County Commissioners:

I am pleased to forward to you Leon County's annual audit report as well as the financial statements for the fiscal year ended September 30, 2018. Due to the transition to a new Finance Department leadership team, the audit presented is a final draft report. The external auditors are completing one last review as required by standards and the final report will be issued by June 30, 2019. This report reflects an unqualified auditor's opinion on the Board's financial statements. Leon County has received an unqualified audit opinion for 36 consecutive years.

The auditors' report on internal control over financial reporting, compliance and other matters is found on pages 43 through 44 with the associated management letter on pages 48 through 53. The management letter provides three audit recommendations regarding financial processes and cash management. All audit recommendations have been accepted by management as indicated in the letter.

The Director of Financial Stewardship, the Director of Finance and myself have met with the external auditors regarding this report. Subsequent to this discussion, and a review of the audit recommendations with staff, we recommend acceptance of this report and the associated response to the State Auditor General.

Your acceptance of the report and approval of the letter transmitting the report will be included in the June 18th Board of County Commission Meeting agenda. As mentioned, Florida law requires that a letter of response be made to the State Auditor General regarding the auditor's comments.

Thank you to all Leon County staff who worked so diligently to produce not only these financial statements, but the outstanding results of operations that are reflected in this document. Leon County's 2017-2018 Comprehensive Annual Financial Report has been submitted for the Florida Government Finance Officers Certificate of Achievement for Excellence in Financial Reporting. Leon County has

consistently received this honor for 21 years and will no doubt remain among the distinguished group of governmental entities receiving this award. Should you have questions regarding the audit or the financial statements, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Gwen Marshall". The signature is cursive and somewhat stylized.

Gwen Marshall

Copy to: Mr. Vince Long, County Administrator
Mr. Alan Rosenzweig, Deputy County Administrator
Ms. Kimberly Wilder, Director of Finance

Special-Purpose Financial Statements

Board of County Commissioners
Leon County, Florida

*Year Ended September 30, 2018
with Independent Auditors' Report*

DRAFT

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

**Board of County Commissioners
Leon County, Florida
Special-Purpose Financial Statements
Year ended September 30, 2018**

Board of County Commissioners

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

**COUNTY ADMINISTRATOR
Vincent S. Long**

CLERK OF THE CIRCUIT COURT

AND

**COMPTROLLER
Gwen Marshall**

DRAFT

**Board of County Commissioners
Leon County, Florida
Special- Purpose Financial Statements
Year Ended September 30, 2018
TABLE OF CONTENTS**

Independent Auditors' Report.....	1
Audited Special-Purpose Financial Statements	
Balance Sheet - Governmental Funds.....	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	6
Statement of Net Position - Proprietary Funds.....	8
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Funds.....	9
Statement of Cash Flows - Proprietary Funds.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Fine & Forfeiture Fund.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Grants Fund.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Improvement Fund.....	15
Statement of Fiduciary Assets and Liabilities - Agency Fund.....	16
Notes to Special-Purpose Financial Statements.....	17
Other Schedules	
Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill.....	42
Other Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....	43
Independent Accountants' Report on Compliance with Section 218.415, <i>Florida Statutes</i>, Local Government Investment Policies.....	45
Independent Accountants' Report on Compliance with Sections 365.172 and 365.173, <i>Florida Statutes</i>, Emergency Communications Number E911 System Fund.....	46
Independent Accountants' Report on Compliance with Sections 288.8017, <i>Florida Statutes</i>, Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill.....	47
Management Letter.....	48

Independent Auditors' Report

The Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying special-purpose financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of County Commissioners of Leon County, Florida (the Board), as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of County Commissioners of Leon County, Florida as of September 30, 2018, the results of each of the major funds' changes in financial position, where applicable, the cash flows thereof, and the respective budgetary comparison statements of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the special-purpose financial statements, the accompanying special-purpose financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying special-purpose financial statements are intended to present the financial position and changes in financial position of the major funds, the proprietary fund and the agency funds of the Board, and only that portion that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2018, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

As discussed in Note 14 to the financial statements, in the fiscal year ending September 30, 2018, the Board adopted, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. October 1, 2018 net position balances have been restated to reflect the implementation of the new standard. Our opinion is not modified with respect to this matter.

As discussed in Note 14 to the financial statements, October 1, 2018 net position balances have been restated to correct misstatements associated with The Housing Finance Authority of Leon County, a discretely presented component unit of the Board. Our opinion is not modified with respect to this matter.

Other Information

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

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special

purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose financial statements or to the special purpose financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Spill is fairly stated, in all material respects, in relation to the special purpose financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, rules, regulations, contracts, grant agreements and other matters under the heading *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Special-Purpose Financial Statements Performed in Accordance with Government Auditing Standards*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

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

Tallahassee, Florida
NEEDS DATE

Tallahassee, Florida

**Board of County Commissioners
Leon County, Florida
Balance Sheet - Governmental Funds
September 30, 2018**

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Capital Improvement Fund</u>
Assets				
Cash	\$ 13,258,478	\$ 0	\$ 539,893	\$ 0
Investments	13,677,651	1,121,481	974,750	28,774,336
Receivables (net of allowances for uncollectibles):				
Accounts	136,496	3,266	2,839	83,995
Special assessments	0	0	0	0
Due from other governments	4,112,453	0	2,852,527	0
Due from other funds	2,855,725	0	0	0
Due from other county units	1,259,931	27,053	34,646	0
Inventories	285,784	0	0	0
Other assets	4,250	0	0	0
Total assets	<u>\$ 35,590,768</u>	<u>\$ 1,151,800</u>	<u>\$ 4,404,655</u>	<u>\$ 28,858,331</u>
Liabilities, deferred inflows, and fund balances				
Liabilities:				
Accounts payable	\$ 2,242,534	\$ 9,943	\$ 574,205	\$ 923,445
Accrued liabilities	459,817	0	8,452	0
Due to other governments	344,988	0	0	0
Due to other funds	0	0	0	0
Due to other county units	53,019	0	16,190	0
Deposits	45,011	226,730	0	149,925
Revenue received in advance	15	0	3,422,440	0
Total liabilities	<u>3,145,384</u>	<u>236,673</u>	<u>4,021,287</u>	<u>1,073,370</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	290,034	0	0	0
Restricted	0	0	383,368	27,784,961
Committed	4,864,666	137,269	0	0
Assigned	10,121,018	777,858	0	0
Unassigned	17,169,666	0	0	0
Total fund balances	<u>32,445,384</u>	<u>915,127</u>	<u>383,368</u>	<u>27,784,961</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 35,590,768</u>	<u>\$ 1,151,800</u>	<u>\$ 4,404,655</u>	<u>\$ 28,858,331</u>

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

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,101,307	\$ 16,899,678
43,555,604	88,103,822
4,209,572	4,436,168
758,230	758,230
1,697,666	8,662,646
0	2,855,725
731,119	2,052,749
0	285,784
10,200	14,450
<u>\$ 54,063,698</u>	<u>\$ 124,069,252</u>
\$ 3,739,272	\$ 7,489,399
559,762	1,028,031
1,024,511	1,369,499
9,096	9,096
197	69,406
127,852	549,518
998,884	4,421,339
<u>6,459,574</u>	<u>14,936,288</u>
689,023	689,023
<u>689,023</u>	<u>689,023</u>
10,200	300,234
35,172,026	63,340,355
11,549,146	16,551,081
239,641	11,138,517
(55,912)	17,113,754
<u>46,915,101</u>	<u>108,443,941</u>
<u>\$ 54,063,698</u>	<u>\$ 124,069,252</u>

Board of County Commissioners
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended September 30, 2018

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Capital Improvement Fund</u>
Revenues				
Taxes	\$ 52,371,278	\$ 76,009,969	\$ 0	\$ 0
Licenses and permits	9,000	0	0	0
Intergovernmental	24,059,306	19,485	4,068,200	0
Charges for services	1,534,239	724,556	134,634	0
Fines and forfeitures	0	107,421	0	0
Interest	993,365	237,636	13,056	354,982
Net decrease in fair value of investments	(137,826)	(12,046)	(4,601)	(360,098)
Miscellaneous	316,370	0	33,262	39,500
Total revenues	<u>79,145,732</u>	<u>77,087,021</u>	<u>4,244,551</u>	<u>34,384</u>
Expenditures				
Current:				
General government	18,997,455	0	150	2,509,332
Public safety	2,419,956	0	634,812	3,829,045
Physical environment	2,305,060	0	2,448,844	1,564,552
Transportation	0	0	106,633	94,801
Economic environment	3,143,331	0	600,697	0
Human services	8,079,931	100,000	4,578	0
Culture and recreation	6,932,896	0	479,732	1,223,514
Judicial	2,274,213	1,871,984	138,663	807,107
Debt Service:				
Principal retirement	0	0	0	0
Interest and fiscal charges	0	0	0	0
Total expenditures	<u>44,152,842</u>	<u>1,971,984</u>	<u>4,414,109</u>	<u>10,028,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,992,890</u>	<u>75,115,037</u>	<u>(169,558)</u>	<u>(9,993,967)</u>
Other financing sources (uses):				
Transfers in	2,006,133	82,585	66,491	13,499,877
Transfers out	(39,218,812)	(76,279,604)	(500,000)	0
Total other financing (uses) sources	<u>(37,212,679)</u>	<u>(76,197,019)</u>	<u>(433,509)</u>	<u>13,499,877</u>
Net change in fund balances	(2,219,789)	(1,081,982)	(603,067)	3,505,910
Fund balances at beginning of year	34,665,173	1,997,109	986,435	24,279,051
Fund balances at end of year	<u>\$ 32,445,384</u>	<u>\$ 915,127</u>	<u>\$ 383,368</u>	<u>\$ 27,784,961</u>

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

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 37,894,544	\$ 166,275,791
2,990,148	2,999,148
5,861,700	34,008,691
22,232,294	24,625,723
362,570	469,991
781,216	2,380,255
(517,407)	(1,031,978)
<u>2,354,885</u>	<u>2,744,017</u>
<u>71,959,950</u>	<u>232,471,638</u>
2,923,774	24,430,711
34,274,691	41,158,504
8,343,611	14,662,067
20,438,696	20,640,130
5,538,349	9,282,377
1,904,967	10,089,476
5,991,832	14,627,974
295,602	5,387,569
7,209,571	7,209,571
<u>842,845</u>	<u>842,845</u>
<u>87,763,938</u>	<u>148,331,224</u>
<u>(15,803,988)</u>	<u>84,140,414</u>
23,734,782	39,389,868
<u>(11,504,568)</u>	<u>(127,502,984)</u>
<u>12,230,214</u>	<u>(88,113,116)</u>
(3,573,774)	(3,972,702)
<u>50,488,875</u>	<u>112,416,643</u>
<u>\$ 46,915,101</u>	<u>\$ 108,443,941</u>

Board of County Commissioners
Leon County, Florida
Statement of Net Position - Proprietary Funds
September 30, 2018

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds	Component Unit - Housing Finance Authority
Assets			
Current assets:			
Cash	\$ 51,674	\$ 526,453	\$ 663,124
Cash with fiscal agent	0	54,291	0
Investments	3,084,711	5,609,238	0
Accounts receivable	789,626	172,967	0
Due from other governments	0	11,649	10,434
Due from other county units	801	908	0
Inventories	1,214	39,710	0
Total current assets	<u>3,928,026</u>	<u>6,415,216</u>	<u>673,558</u>
Noncurrent assets:			
Restricted cash and investments	13,296,661	0	0
Mortgage Loans - Net of Allowances	0	0	428,656
Capital assets:			
Land nondepreciable	1,809,844	0	0
Depreciable (net)	7,002,903	0	0
Total noncurrent assets	<u>22,109,408</u>	<u>0</u>	<u>428,656</u>
Total assets	<u>\$ 26,037,434</u>	<u>\$ 6,415,216</u>	<u>\$ 1,102,214</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 1,994,651	\$ 313,943	\$ 2,742
Accrued liabilities	426,371	178,554	0
Claims payable	0	4,267,812	0
Revenue received in advance	7,247	0	0
Liability for closure costs/maintenance	8,914,429	0	0
Total current liabilities	<u>11,342,698</u>	<u>4,760,309</u>	<u>2,742</u>
Noncurrent liabilities:			
Liability for closure costs/maintenance	<u>8,081,669</u>	<u>0</u>	<u>0</u>
Total noncurrent liabilities	<u>8,081,669</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>19,424,367</u>	<u>4,760,309</u>	<u>2,742</u>
Net position			
Net investment in capital assets	8,812,747	0	0
Unrestricted	<u>(2,199,680)</u>	<u>1,654,907</u>	<u>1,099,472</u>
Total net position	<u>6,613,067</u>	<u>1,654,907</u>	<u>1,099,472</u>
Total liabilities and net position	<u>\$ 26,037,434</u>	<u>\$ 6,415,216</u>	<u>\$ 1,102,214</u>

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

Board of County Commissioners
Leon County, Florida
Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Funds
Year Ended September 30, 2018

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds	Component Unit - Housing Finance Authority
Operating revenues			
Charges for services	\$ 8,509,770	\$ 7,343,143	\$ 32,159
TBA program income	0	0	21,706
Other income	0	0	7,078
Total operating revenues	<u>8,509,770</u>	<u>7,343,143</u>	<u>60,943</u>
Operating expenses			
Personnel services	1,631,554	657,316	0
Contractual services	10,280,942	124,243	0
Supplies	316,604	1,240,936	2,804
Communications services	25,073	560,422	0
Insurance	38,965	3,230,037	3,544
Utility services	19,182	0	0
Depreciation	1,659,697	0	0
Other services and charges	3,897,621	1,199,512	122,275
Provision for loan losses	0	0	47,629
Total operating expenses	<u>17,869,638</u>	<u>7,012,466</u>	<u>176,252</u>
Operating (loss) income	<u>(9,359,868)</u>	<u>330,677</u>	<u>(115,309)</u>
Nonoperating revenues:			
Taxes	1,719,965	0	0
Interest	270,489	97,611	15,210
Net decrease in fair value of investments	(265,417)	(64,486)	0
Miscellaneous	273,166	0	0
Total nonoperating revenues	<u>1,998,203</u>	<u>33,125</u>	<u>15,210</u>
Income (loss) before contributions and transfers	(7,361,665)	363,802	(100,099)
Transfers in	458,540	0	0
Contributed capital	0	0	349,090
Transfers out	(81,820)	(1,125,000)	0
Change in net position	(6,984,945)	(761,198)	248,991
Net position at beginning of year	13,738,672	2,467,442	695,612
Prior period adjustments	(140,660)	(51,337)	154,869
Net position at beginning of year (as restated)	<u>13,598,012</u>	<u>2,416,105</u>	<u>850,481</u>
Net position at end of year	<u>\$ 6,613,067</u>	<u>\$ 1,654,907</u>	<u>\$ 1,099,472</u>

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

Board of County Commissioners
Leon County, Florida
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2018

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds	Component Unit - Housing Finance Authority
Cash flows from operating activities			
Receipts from customers, fees and other income	\$ 12,014,315	\$ 0	\$ 39,237
Receipts from other governments	0	0	11,272
Payments for General and administrative expenses	0	0	(87,569)
Payments for program services	0	0	(38,562)
Payments to suppliers	(12,655,188)	(4,811,179)	0
Payments to employees	(1,694,766)	(673,069)	0
Internal activity - payments to other funds	(38,965)	0	0
Internal activity - cash received from other funds	0	7,389,714	0
Claims paid	0	(1,605,000)	0
Net cash (used in) provided by operating activities	<u>(2,374,604)</u>	<u>300,466</u>	<u>(75,622)</u>
Cash flows from noncapital financing activities			
Tax proceeds	1,719,965	0	0
Contribution housing assistance loans	0	0	27,674
Repayments on interfund loans	167	0	0
Transfers from other funds	458,540	(908)	0
Transfers to other funds	(81,820)	(1,125,000)	0
Net cash provided by (used in) noncapital financing activities	<u>2,096,852</u>	<u>(1,125,908)</u>	<u>27,674</u>
Cash flows from capital and related financing activities			
Sale of property	273,166	0	0
Acquisition and/or construction of capital assets	(280,983)	0	0
Net cash used in capital and related financing activities	<u>(7,817)</u>	<u>0</u>	<u>0</u>
Cash flows from investing activities			
Net proceeds from sales and maturities of investments	335,749	997,292	0
Interest and dividends received	1,032	34,600	15,210
Net cash used in investing activities	<u>336,781</u>	<u>1,031,892</u>	<u>15,210</u>
Net (decrease) increase in cash	51,212	206,450	(32,738)
Cash at beginning of year	462	374,294	695,862
Cash at end of year	<u>\$ 51,674</u>	<u>\$ 580,744</u>	<u>\$ 663,124</u>

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

**Board of County Commissioners
Leon County, Florida
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2018**

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds	Component Unit - Housing Finance Authority
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities			
Operating (loss) income:	\$ (9,359,868)	\$ 330,677	\$ (115,309)
Adjustment to reconcile operating (loss) income to net cash used in operating activities:			
Depreciation expense	1,659,697	0	0
Loss on disposal of capital assets	598,262	0	0
Allowance for loan losses	0	0	47,629
Change in assets and liabilities:			
Accounts and intergovernmental receivables	498,498	46,571	(10,434)
Accounts payable and other liabilities	1,285,972	122,932	2,492
Accrued expenses	(63,212)	(15,753)	0
Revenues received in advance	7,247	0	0
Estimated liability for closure costs/maintenance	2,998,800	0	0
Other current liabilities	0	(183,961)	0
Net cash (used in) provided by operating activities	<u>(2,374,604)</u>	<u>300,466</u>	<u>(75,622)</u>
Noncash noncapital financing activities			
Transfer of DPA mortgage loans	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 349,090</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 349,090</u>

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

Board of County Commissioners
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 51,895,863	\$ 51,895,863	\$ 52,371,278	\$ 475,415
Licenses and permits	8,930	8,930	9,000	70
Intergovernmental	21,567,618	21,612,983	24,059,306	2,446,323
Charges for services	1,642,907	1,642,907	1,534,239	(108,668)
Interest	1,065,832	1,065,832	993,365	(72,467)
Net decrease in fair value of investments	0	0	(137,826)	(137,826)
Miscellaneous	347,724	363,987	316,370	(47,617)
Total revenues	76,528,874	76,590,502	79,145,732	2,555,230
Expenditures				
General government	20,623,742	26,203,110	18,997,455	7,205,655
Public safety	2,479,647	2,563,447	2,419,956	143,491
Physical environment	2,439,844	2,439,844	2,305,060	134,784
Economic environment	3,271,592	3,283,755	3,143,331	140,424
Human services	8,585,023	8,767,826	8,079,931	687,895
Culture and recreation	7,157,788	7,179,356	6,932,896	246,460
Judicial	457,688	321,362	2,274,213	(1,952,851)
Total expenditures	45,015,324	50,758,700	44,152,842	6,605,858
Excess of revenues over expenditures	31,513,550	25,831,802	34,992,890	9,161,088
Other financing sources (uses):				
Transfers in	9,782,922	9,782,922	2,006,133	(7,776,789)
Transfers out	(43,796,472)	(48,126,487)	(39,218,812)	8,907,675
Total other financing sources (uses)	(34,013,550)	(38,343,565)	(37,212,679)	1,130,886
Net change in fund balance	(2,500,000)	(12,511,763)	(2,219,789)	10,291,974
Fund balance at beginning of year	34,665,173	34,665,173	34,665,173	0
Fund balance at end of year	\$ 32,165,173	\$ 22,153,410	\$ 32,445,384	\$ 10,291,974

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

Board of County Commissioners
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Fine & Forfeiture Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 74,884,672	\$ 74,884,672	\$ 76,009,969	\$ 1,125,297
Intergovernmental	22,325	22,325	19,485	(2,840)
Charges for services	905,635	905,635	724,556	(181,079)
Fines and forfeitures	125,400	125,400	107,421	(17,979)
Interest	230,185	230,185	237,636	7,451
Net decrease in fair value of investments	0	0	(12,046)	(12,046)
Total revenues	76,168,217	76,168,217	77,087,021	918,804
Expenditures				
Human services	100,000	100,000	100,000	0
Judicial	1,682,933	1,884,880	1,871,984	12,896
Total expenditures	1,782,933	1,984,880	1,971,984	12,896
Excess of revenues over expenditures	74,385,284	74,183,337	75,115,037	931,700
Other financing sources (uses):				
Transfers in	0	76,947	82,585	5,638
Transfers out	(74,385,284)	(76,279,604)	(76,279,604)	0
Total other financing sources (uses)	(74,385,284)	(76,202,657)	(76,197,019)	5,638
Net change in fund balance	0	(2,019,320)	(1,081,982)	937,338
Fund balance at beginning of year	1,997,109	1,997,109	1,997,109	0
Fund balance at end of year	\$ 1,997,109	\$ (22,211)	\$ 915,127	\$ 937,338

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

Board of County Commissioners
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Grants Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 591,347	\$ 20,411,359	\$ 4,068,200	\$(16,343,159)
Charges for services	84,835	806,264	134,634	(671,630)
Interest	0	9,777	13,056	3,279
Net decrease in fair value of investments	0	0	(4,601)	(4,601)
Miscellaneous	0	971,064	33,262	(937,802)
Total revenues	676,182	22,198,464	4,244,551	(17,953,913)
Expenditures				
General government	0	425	150	275
Public safety	680,019	2,227,893	634,812	1,593,081
Physical environment	0	10,682,912	2,448,844	8,234,068
Transportation	0	6,477,689	106,633	6,371,056
Economic environment	0	1,236,951	600,697	636,254
Human services	31,540	53,962	4,578	49,384
Culture and recreation	15,000	2,222,075	479,732	1,742,343
Judicial	216,702	267,609	138,663	128,946
Total expenditures	943,261	23,169,516	4,414,109	18,755,407
(Deficiency) excess of revenue (under) over expenditures	(267,079)	(971,052)	(169,558)	801,494
Other financing sources (uses):				
Transfers in	0	77,280	66,491	(10,789)
Transfers out	0	(500,000)	(500,000)	0
Total other financing sources (uses)	0	(422,720)	(433,509)	(10,789)
Net change in fund balance	(267,079)	(1,393,772)	(603,067)	790,705
Fund balance at beginning of year	986,435	986,435	986,435	0
Fund balance at end of year	\$ 719,356	\$ (407,337)	\$ 383,368	\$ 790,705

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

Board of County Commissioners
Leon County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Improvement Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 57,380	\$ 57,380	\$ 354,982	\$ 297,602
Net decrease in fair value of investments	0	0	(360,098)	(360,098)
Miscellaneous	0	0	39,500	39,500
Total revenues	<u>57,380</u>	<u>57,380</u>	<u>34,384</u>	<u>(22,996)</u>
Expenditures				
General government	3,524,002	7,658,406	2,509,332	5,149,074
Public safety	1,402,597	6,482,360	3,829,045	2,653,315
Physical environment	1,795,880	11,052,419	1,564,552	9,487,867
Transportation	0	746,775	94,801	651,974
Economic environment	0	81,205	0	81,205
Culture and recreation	1,818,399	6,763,573	1,223,514	5,540,059
Judicial	0	0	807,107	(807,107)
Total expenditures	<u>8,540,878</u>	<u>32,784,738</u>	<u>10,028,351</u>	<u>22,756,387</u>
Excess of revenues over expenditures	<u>(8,483,498)</u>	<u>(32,727,358)</u>	<u>(9,993,967)</u>	<u>(22,733,391)</u>
Other financing uses:				
Transfers in	3,975,000	13,499,877	13,499,877	0
Transfers out	0	(8,000,000)	0	8,000,000
Total other uses	<u>3,975,000</u>	<u>5,499,877</u>	<u>13,499,877</u>	<u>8,000,000</u>
Net change in fund balance	(4,508,498)	(27,227,481)	3,505,910	30,733,391
Fund balance at beginning of year	<u>24,279,051</u>	<u>24,279,051</u>	<u>24,279,051</u>	<u>0</u>
Fund balance at end of year	<u>\$ 19,770,553</u>	<u>\$ (2,948,430)</u>	<u>\$ 27,784,961</u>	<u>\$ 30,733,391</u>

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

Board of County Commissioners
Leon County, Florida
Statement of Fiduciary Assets and Liabilities - Agency Fund
September 30, 2018

	<u>Total Agency Funds</u>
Assets	
Cash	\$ 1,220,456
Accounts receivable	3,127,473
Prepays	<u>138,750</u>
Total assets	<u>\$ 4,486,679</u>
Liabilities	
Accounts payable	\$ 365,586
Accrued liabilities	1,274,464
Due to other funds	<u>2,846,629</u>
Total liabilities	<u>\$ 4,486,679</u>

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

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018

Note 1. Accounting Policies

Reporting Entity

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

Component Units

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

Specific criteria used to determine financial accountability are:

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

Financial statements of component units are included in the financial reporting entity either as a blended component unit or as a discretely presented component unit in accordance with governmental accounting standards. At September 30, 2018, the only component unit of the Board is The Housing Finance Authority of Leon County (the Authority) which is discretely presented in a separate column on the Board's financial statements.

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 1. Accounting Policies (continued)

Component Units (continued)

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

Excluded from the Reporting Entity:

The Leon County Health Facilities Authority, Leon County Research and Development Authority, Leon County Education Facilities Authority, Leon County Energy Improvement District, and Community Redevelopment Agency have been established under Florida Statutes, Chapter 159, Part V, Chapter 154, Part III, Chapter 243, Chapter 189, Part II and Chapter 163, Part III, respectively. Operations of the above authorities are not included in this report because they do not meet the criteria for inclusion in the reporting entity as set forth in GASB Statement No. 39.

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

Leon County School Board District
Leon County Health Department
Fallschase Special Taxing District
Northwest Florida Water Management District

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

Consolidated Dispatch Agency

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

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

Capital Regional Transportation Planning Agency

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 1. Accounting Policies (continued)

Capital Regional Transportation Planning Agency (continued)

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.

Blueprint Intergovernmental Agency

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

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

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

Basis of Presentation

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

Description of Funds

Governmental Major Funds:

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

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 1. Accounting Policies (continued)

Description of Funds (continued)

Governmental Major Funds: (continued)

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

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

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

Proprietary Major Fund:

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

Other Fund Types:

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

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

Basis of Accounting

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

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

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 1. Accounting Policies (continued)

Basis of Accounting (continued)

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

The financial statements of the Proprietary Funds and Fiduciary Funds (Agency Funds) are prepared on the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund.

Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Budgets and Budgetary Accounting

Florida Statutes, Section 129.01 (2) (b), requires that “The budgeted receipts must include 95 percent of all receipts reasonably anticipated from all sources, including taxes to be levied, provided the percent anticipated from ad valorem levies is as specified in s. 200.065(2)(a), and is 100 percent of the amount of the balances estimated to be brought forward at the beginning of the fiscal year.” The Board has complied with the provisions of the above Florida Statutes.

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

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

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

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

1. On or before May 1 of each year, the designated budget officer submits to the Board a tentative budget for the ensuing fiscal year. The tentative budget includes proposed expenditures and funding sources.
2. The Board requires such changes to be made as it shall deem necessary, provided the budget remains in balance and subject to the notice and hearing requirements of Section 200.065, *Florida Statutes* and the budget preparation and adoption procedures, as defined in Section 129.03, *Florida Statutes*. The legal level of budgetary control is at the fund level.
3. Public hearings are held pursuant to Section 200.065, *Florida Statutes* in order for the Board to adopt the tentative and final budgets.

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 1. Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

4. Prior to October 1, the budget is legally enacted through passage of a resolution.
5. All changes to the final budget must be approved by the Board in accordance with Section 129.06, *Florida Statutes*.
6. Formal budgetary integration is used as a management control device during the year for all governmental funds of the Board.
7. Budgets for the governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

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

Cash and Investments

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

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

During the 2017-2018 fiscal year, the Board invested in three different investment pools: the Special Purpose Investment Account (SPIA) within the Florida Treasury Investment Pool (the Pool) administered by the Florida Department of Financial Services, as authorized by Section 17.61(1), Florida Statutes; The Florida Local Government Investment Trust (FLGIT), a local government investment pool developed through the joint efforts of the Florida Court Clerks and Comptrollers (FCCC) and the Florida Association of Counties (FAC); and the Local Government Surplus Funds Trust Fund (Florida PRIME), administered by the Florida State Board of Administration (SBA) as authorized by Section 218.415 (17), Florida Statutes. Florida PRIME is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for the SEC Rule 2a-7 fund.

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

Receivables

Receivables are shown net of an allowance for uncollectibles. As the receivables age, the allowance increases. The emergency medical services allowance used for September 30, 2018 is equal to 69% of current year billings.

Short-Term Interfund Receivables/Payables

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 1. Accounting Policies (continued)

Inventories

Inventories in the General Fund and Internal Service Funds consist of expendable office supplies. The office supplies are valued at the average unit cost and are accounted for under the consumption method whereby the cost is recorded as an expenditure at the time of issuance to the user department.

Restricted Assets

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

Capital Assets

Capital assets purchased in the governmental fund types are recorded as expenditures (capital outlay) at the time of purchase. Such assets are reported as capital assets in the Statement of Net Position as part of the Leon County, Florida Comprehensive Annual Financial Report (Leon County CAFR). The Board does not record depreciation of these assets on its governmental fund financial statements, although depreciation is recorded for such assets in the Leon County CAFR. Donated assets are recorded at fair market value at the date of donation. Accounting policies for capitalization and depreciation of infrastructure assets including roads, bridges, curbs, gutters, and sidewalks are described in the Leon County CAFR. A summary of capital assets purchased by the Board's governmental funds is provided in Note 5.

Fixed Assets

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

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

Liability for Compensated Absences

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

Other Postemployment Benefits

The Board, through Leon County, offers retiree medical and life insurance benefits for qualifying Board employees that have retired from a Florida Retirement System (FRS) pension plan. Current and long-term portion of the liability for Other Post Employment Benefits (OPEB) applicable to the proprietary funds are reported in the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds. The current and long-term portion of the liability for OPEB applicable to Governmental funds is reported in the statement of net position of Leon County CAFR.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018

Note 1. Accounting Policies (continued)

Executive Service Plan

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

Net Position and Fund Balances

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

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

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

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

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

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

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

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

Common Expenses

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

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 1. Accounting Policies (continued)

Operating Transfers

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

Use of Estimates

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

Note 2. Property Taxes

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

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

All taxes are due and payable on November 1 of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. No accrual for the property tax levy becoming due in September 30, 2018 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, 2018.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018

Note 3. Cash and Investments

Credit Risk

The Board's Investment Policy (the Policy) provides a structure for the portfolio that is designed to minimize credit risk. The majority of the securities held will be those of the highest available credit quality ratings. Staff will notify the Investment Oversight Committee (IOC) at any time holdings drop below the minimum credit ratings specified in the policy. The IOC will consider the market environment and make recommendations to hold and continue to monitor the investments or liquidate the investments. To further limit the Board's risk against possible credit losses, a maximum of 3% of the total portfolio managed by the Board's external manager may be held per issuer in corporate notes and bonds and 5% per issuer in commercial paper. The Policy provides that 45% of the external portfolio may be invested in Federal instrumentalities, with a limit of 15% of the portfolio in any one issuer.

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

1. The 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 Board's Investment Policy limits credit risk by restricting authorized investments to the following: Local Government Surplus Funds Trust Fund (Florida PRIME), State of Florida Special Purpose Investment Account (SPIA), direct obligations of the United States or its agencies and instrumentalities, direct obligations of states and municipalities, repurchase agreements, commercial paper, bankers' acceptances, money market mutual funds, the Florida Local Government Investment Trust (FLGIT), and the Florida Municipal Investment Trust (FMIVT).

The Chief Financial Officer for the State of Florida (formerly the State Treasurer) has been investing state revenues, excess revenues of state universities and community colleges, and certain other public agencies in a commingled investment portfolio for several years. This program is authorized under Section 17.61(1), *Florida Statutes* and is called the 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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 3. Cash and Investments (continued)

Credit Risk (continued)

30, 2018 was A+f. A copy of SPIA's most recent financial statements can be found at <http://www.myfloridacfo.com/Division/Treasury/Reports/AnnualReports>. Investments in this pool are limited to a maximum of 100% of the portfolio. At September 30, 2018, the County had \$45,074,036 with SPIA.

The FLGIT is a local government investment pool created by the Florida Court Clerks and Comptrollers, and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At year end, the FLGIT was invested in money markets, treasury notes, asset-backed securities, corporates, municipals 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 Fitch. A copy of FLGIT's most recent financial statements can be found at <http://www.floridatrusionline.com/about>. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2018, the County had \$5,905 with FLGIT.

The Board 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, 2018, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Investments in this pool are limited to a maximum of 15% of the portfolio. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AA+ by Standard and Poor's. The weighted average days to maturity of the Florida PRIME at September 30, 2018 is 33 days. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2018, the County had \$9,293,816 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>.

Custodial Credit Risk

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 3. Cash and Investments (continued)

Custodial Credit Risk (continued)

Qualified public depositories of public funds are required to provide collateral each month pursuant to Section 280.04, Florida Statutes. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. The County's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2018, were \$20,858,130. 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.

The externally managed portfolio totaled \$56,027,643 at September 30, 2018, and was invested for a weighted average term of approximately 584 days, as compared to a weighted average term of 867 days in fiscal year 2017. The County requires a minimum balance of short term investments. To meet the day-to-day operating needs of the County and to provide the ready cash to meet unforeseen temporary cash requirements, a liquidity base of approximately at least two months of anticipated disbursements is kept in relatively short term investments. This includes investments in government pools with daily liquidity such as Florida PRIME or money markets. The Board was in compliance with this requirement.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018

Note 3. Cash and Investments (continued)

As of September 30, 2018, the value of the Board's deposits and investments, with their respective credit ratings, was as follows:

	Fair Value	Credit Rating	Duration
Deposits in Qualified Public Depositories	\$ 18,715,055	NA	NA
External Investment in Government Pools:			
State of Florida Special Purpose Investment Account (SPIA)	45,074,036	A+f	2.97
Florida Local Government Investment Trust Government Fund (FLGIT)	5,905	AAAf	1.51
Florida PRIME Investment Pool	9,293,816	AAAm	0.09*
Externally Managed Portfolio:			
Money Market	81,502	AAA	N/A
U.S. Treasuries	18,181,941	AA+	1.68
Government Sponsored Agencies:			
Federal Home Loan Bank	6,226,262	AA+	1.21
Federal National Mortgage Association	3,813,234	AA+	0.91
Other Government Sponsored Agencies	5,734,055	AA+	1.10
Mortgage Backed Securites	4,770,059	AA+	2.38
Collateralized Mortgage Obligations	262,938	AA+	1.26
Corporate Bonds	12,215,460	A-	1.70
Corporate Bonds	1,174,619	AA-	1.36
Asset-backed Securities	3,567,573	AAA	1.33
Total Cash and Investments	<u>\$ 129,116,455</u>		

The amounts above exclude cash on hand and amounts held by third parties in trust for the Board, but includes accrued interest of \$306,966.

**The method for the Florida Prime duration is calculated using the weighted average maturity method.*

Foreign Currency Risk

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

Note 4. Fair Value Measurements

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 4. Fair Value Measurements (continued)

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

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

The fair value factor for SPIA at September 30, 2018 was 0.9796. 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.

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, 2018:

	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	\$ 3,567,573	\$ 0	\$ 3,567,573
Corporate Bonds and Notes	0	13,390,079	0	13,390,079
US Agencies	0	15,773,551	0	15,773,551
US Government Obligations	18,181,941	0	0	18,181,941
Asset Backed Security (Mortgage Backed) - US Agency				
Sponsored	0	4,770,059	0	4,770,059
Collateralized Mortgage Obligations	0	262,938	0	262,938
Investments at fair value	<u>\$ 18,181,941</u>	<u>\$ 37,764,200</u>	<u>\$ 0</u>	<u>\$ 55,946,141</u>

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 5. Fixed Assets

A summary of changes in fixed assets and depreciation for the year ended September 30, 2018, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 20,891,310	\$ 0	\$ 0	\$ 20,891,310
Improvements other than buildings	32,305,753	521,873	0	32,827,626
Buildings and improvements	217,771,747	127,067	0	217,898,814
Equipment	61,937,727	4,254,451	(2,256,775)	63,935,403
Leasehold Improvement	1,552,793	0	0	1,552,793
Construction in progress	7,845,991	5,265,328	(171,155)	12,940,164
Totals at historical cost	<u>\$ 342,305,321</u>	<u>\$ 10,168,719</u>	<u>\$ (2,427,930)</u>	<u>\$ 350,046,110</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>
Business type activities:				
Land	\$ 1,809,844	\$ 0	\$ 0	\$ 1,809,844
Buildings, improvements, and construction in progress	20,337,110	11,032	(579,759)	19,768,383
Equipment	5,534,927	269,951	(911,244)	4,893,634
Totals at historical cost	<u>27,681,881</u>	<u>280,983</u>	<u>(1,491,003)</u>	<u>26,471,861</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,907,215)	(625,324)	273,823	(14,258,716)
Equipment	(2,984,943)	(1,034,373)	618,918	(3,400,398)
Total accumulated depreciation	<u>(16,892,158)</u>	<u>(1,659,697)</u>	<u>892,741</u>	<u>(17,659,114)</u>
	<u>\$ 10,789,723</u>	<u>\$ (1,378,714)</u>	<u>\$ (598,262)</u>	<u>\$ 8,812,747</u>

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 6. Long-Term Debt

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

	Balance October 1, 2017 as Restated*	Additions	(Reductions)	Balance September 30, 2018	Due Within One Year
Long-Term Debt					
Special revenue debt:					
Capital Improvement Revenue Bonds, Series 2012A	\$ 8,267,000	\$ 0	\$ 0	\$ 8,267,000	\$ 1,305,000
Taxable Capital Improvement Revenue Bonds, Series 2012B	12,182,000	0	(6,668,000)	5,514,000	5,514,000
Capital Improvement Revenue Refunding Bonds, Series 2017	15,851,000	0	(159,000)	15,692,000	163,000
Total special revenue debt	<u>36,300,000</u>	<u>0</u>	<u>(6,827,000)</u>	<u>29,473,000</u>	<u>6,982,000</u>
Note payable	382,571	0	(382,571)	0	0
Liability for closure costs	13,997,298	3,532,938	(534,138)	16,996,098	8,914,429
Liability for compensated absences	5,234,490	3,468,437	(3,493,465)	5,209,462	1,885,152
Other postemployment benefits	8,164,352	520,625	(604,658)	8,080,319	0
Arbitrage rebate liability	25,000	0	0	25,000	0
Capital lease liability	0	972,928	(202,385)	770,543	202,385
	<u>\$ 64,103,711</u>	<u>\$ 8,494,928</u>	<u>\$ (12,044,217)</u>	<u>\$ 60,554,422</u>	<u>\$ 17,983,966</u>

Total interest costs incurred for general long-term debt by the Board, including bond issuance costs, for the year ended September 30, 2018, was \$842,845.

*The Other Postemployment Benefits balance as of October 1, 2017 was restated. See Note 14 for details involving this restatement.

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018

Note 6. Long-Term Debt (continued)

B. A summary of each special revenue debt obligation outstanding at September 30, 2018 is as follows:

	Outstanding at September 30, 2018
	2018
<p>\$8,267,000, Capital Improvement Revenue Bonds, Series 2012A, (i) to refund the County's Capital Improvement Revenue Bonds, Series 2003A of which \$7,965,000 was outstanding and maturing in the years 2018 through 2020, and (ii) to pay a portion of the costs of the acquisition of the Bank of America Building, and (iii) the construction of improvements to the Bank of America Building, and (iv) to finance improvements to the County's courthouse and parking garage. The economic gain resulting from the refunding was \$1,279,488. The bonds dated December 20, 2012, bear interest of 1.65% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2013. The bond principal matures serially on October 1 of each year for two years beginning October 1, 2019.</p>	\$ 8,267,000
<p>\$12,956,000, Taxable Capital Improvement Revenue Bonds, Series 2012B, to, (i) refund the Capital Improvement Revenue Bonds, Series 2003B of which \$12,465,000 was currently outstanding and maturing in the years 2018 through 2019, and (ii) pay a portion of the costs of the acquisition of the Bank of America Building, and (iii) pay capitalized interest and issuance costs on the Series 2012B bonds, and (iii) pay bond issuance costs. The economic gain resulting from the refunding was \$1,405,034. The bonds dated December 20, 2012 and bear interest of 2.22% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2013. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2019.</p>	5,514,000
<p>\$15,991,000 Capital Improvement Revenue Refunding Bonds, Series 2017, (i) refund the Capital Improvement Revenue Bonds, Series 2014 of which \$15,951,000 was currently outstanding and maturing in the years 2021 through 2025, and (ii) pay issuance costs on the Series 2017 bonds. The economic gain resulting from the refunding was \$489,076. The bonds dated June 22, 2017 and bear interest of 2.11% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2017. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2025.</p>	15,692,000
<p><i>The Capital Improvement Revenue Bonds, Series 2012A, the Capital Improvement Revenue Refunding Bonds Series 2017, and Taxable Capital Improvement Revenue Bonds, Series 2012B are parity bonds payable from and secured by a lien upon certain non-ad valorem revenue. The pledged revenues include the Local Government Half-Cent Sales Tax, Guaranteed Entitlement, Second Guaranteed Entitlement, and additional State Revenue Sharing Funds (less the Guaranteed Entitlement and the Second Guaranteed Entitlement).</i></p>	
Total Special Revenue Bond Obligations	\$ 29,473,000

Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018

Note 6. Long-Term Debt (continued)

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

	Year ending September 30,				
	2019	2020	2021	2022	2023
Capital Improvement Revenue					
Bonds, Series 2012A	\$ 1,441,406	\$ 7,076,872	\$ 0	\$ 0	\$ 0
Taxable Capital Improvement					
Revenue Bonds, Series 2012B	5,636,411	0	0	0	0
Capital Improvement Revenue Refunding					
Bonds, Series 2017	494,101	492,662	3,268,180	3,270,062	3,271,593
Total Debt Service	\$ 7,571,918	\$ 7,569,534	\$ 3,268,180	\$ 3,270,062	\$ 3,271,593
			Total	Less	
		2024-2025	Payments	Interest	Principal
Capital Improvement Revenue					
Bonds, Series 2012A	\$ 0	\$ 8,518,278	\$ 251,278	\$ 8,267,000	
Taxable Capital Improvement					
Revenue Bonds, Series 2012B	0	5,636,411	122,411	5,514,000	
Capital Improvement Revenue Refunding Bonds, Series 2017	6,540,337	17,336,935	1,644,935	15,692,000	
Total Debt Service	\$ 6,540,337	\$ 31,491,624	\$ 2,018,624	\$ 29,473,000	

Note 7. Employees' Retirement Plan

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, is effective for all fiscal years beginning after June 15, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As described in Note 1, the financial statements of the Board are fund statements considered to be special-purpose financial statements consistent with accounting practices prescribed by the Auditor General, State of Florida. Accordingly, the net pension liability is included in the Leon County CAFR rather than in these Special-Purpose Financial Statements.

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

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 7. Employees' Retirement Plan (continued)

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

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2018, the contribution rate was 1.66% of payroll pursuant to Section 112.363, Florida Statutes.

The total employer retirement contributions for the fiscal years ended September 30, 2018, 2017, and 2016 were \$4,823,042, \$4,442,375, and \$4,178,390, respectively, which is equal to the required contribution for each year.

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

Note 8. Other Postemployment Benefits

Plan Description

The Board participates in an agent multiple-employer plan administered by the County for all the constitutional officers under which qualified retired employees are permitted to participate in the health and life insurance benefits program (the Program). The health insurance benefits portion of the Program is considered by the County's insurance provider to be community-rated and, therefore, no Other Postemployment Benefit (OPEB) obligation is calculated for healthcare. The Program may be amended by the Board. A stand alone financial report is not issued for the Program. The financial statements of the Board are fund statements considered to be special-purpose financial statements consistent with accounting practices by the Auditor General, State of Florida. Accordingly, the annual OPEB obligation of Constitutional Officers is recognized in the Leon County CAFR rather than in these Special-Purpose Financial Statements.

Note 9. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The following is a summary of the County's coverage and exposure relating to the various risks of loss retained as of September 30, 2018.

General Liability

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

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

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 9. Risk Management (continued)

General Liability (continued)

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2018	\$ 46,137	\$ 1,994	\$ 0	\$ 48,131
September 30, 2017	\$ 285,090	\$ (238,953)	\$ 0	\$ 46,137

The claims liability of \$48,131 includes an actuarial valuation for incurred but not reported claims of \$10,051.

Workers' Compensation

The Board maintains a self-insurance Internal Service Fund (the Fund) to account for insurance activities relating to workers' compensation, which is administered by a third-party administrator, Preferred Governmental Claims Solutions. Under this program, the Board absorbs losses up to a maximum of \$500,000 for each claim. At September 30, 2018, the Board had \$54,291 deposited with the third-party administrator for use against future claims. The Board purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded the retention level for this commercial coverage in the current year and any of the past five years.

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

The actuarially-determined claims liability for workers' compensation of \$4,207,550, which includes incurred but not reported claims of \$2,588,036, reported in the Fund at September 30, 2018 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2018	\$ 4,392,594	\$ 1,419,956	\$ (1,605,000)	\$ 4,207,550
September 30, 2017	\$ 3,773,824	\$ 1,624,770	\$ (1,006,000)	\$ 4,392,594

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 9. Risk Management (continued)

Automobile Liability

The Board purchases commercial coverage for automobile liability insurance through the same provider of its general liability insurance. All vehicles are covered for physical damage with a \$1,000 deductible and for liability with a \$5,000 deductible.

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

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2018	\$ 13,042	\$ (911)	\$ 0	\$ 12,131
September 30, 2017	\$ 25,641	\$ (12,599)	\$ 0	\$ 13,042

The claims liability of \$12,131 includes an actuarial valuation for incurred but not reported claims of \$2,533.

Note 10. Leases

In June 2003, the Board purchased the Bank of America building. There are several noncancellable operating lease agreements for the rental of its building. The lease agreements provide for monthly rentals, which escalate over the lease terms and expire on various dates.

Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2018, are as follows:

Year ending September 30,	Amount
2019	\$ 1,737,570
2020	1,227,325
2021	798,826
2022	467,234
2023	375,983
Thereafter	2,440,922
	\$ 7,047,860

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 10. Leases (continued)

In October 2009, the Board purchased the Lake Jackson Oaks Huntington Property. There are several noncancellable operating lease agreements for the rental of its building. The lease agreements provide for monthly rentals, which escalate over the lease terms and expire on various dates. Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2018, are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2019	\$ 126,271
2020	117,986
2021	106,838
2022	99,694
2023	56,529
Thereafter	41,091
	<u>\$ 548,409</u>

Note 11. Other Required Individual Fund Disclosures

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

Interfund receivable and payable balances at September 30, 2018, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ 2,855,725	\$ 0
Nonmajor Governmental Funds	0	9,096
Agency Fund	0	2,846,629
	<u>\$ 2,855,725</u>	<u>\$ 2,855,725</u>

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 11. Other Required Individual Fund Disclosures (continued)

Each fund has a discrete purpose. However, often, there is a need for one fund to support a portion of another fund's activities. To accomplish this, monies are moved between funds through a process called interfund transfers. Interfund Transfers for the year ended September 30, 2018, consisted of the following:

Transfers to the General Fund from:	
Nonmajor Governmental Funds	\$ 490,578
Enterprise Fund	51,918
Internal Service Fund	25,000
Total Transfers to the General Fund	<u>567,496</u>
Transfers to the Fine and Forfeiture Fund from:	
General Fund	76,947
Total Transfers to the Fine and Forfeiture Fund	<u>76,947</u>
Transfers to the Grants Fund from:	
General Fund	3,068
Nonmajor Governmental Funds	63,423
Total Transfers to the Grants Fund	<u>66,491</u>
Transfers to the Capital Improvement Fund from:	
General Fund	6,420,236
Fine & Forfeiture Fund	1,919,320
Grants fund	500,000
Internal Service fund	1,100,000
Nonmajor funds	3,560,321
Total Transfers to the Capital Improvement Fund	<u>13,499,877</u>
Transfers to the Nonmajor Governmental Funds:	
General Fund	16,517,104
Other Nonmajor Funds	7,117,678
Total Transfers to the Nonmajor Governmental Funds	<u>23,634,782</u>
Total Transfers to Governmental Funds	<u>37,845,593</u>
Transfers to the Enterprise Fund from:	
General Fund	458,540
Total Transfers to Enterprise Funds	<u>458,540</u>
Total Interfund Transfers	<u>\$ 38,304,133</u>

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 12. Closure and Post-closure Care Cost

State and federal laws and regulations require the Board to place a final cover on each of its landfill cells when it stops accepting waste and to perform certain maintenance and monitoring functions on each cell for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$16,996,098 reported as landfill closure and post-closure care liability at September 30, 2018, 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 2018 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 waste.

The Board is required by state and federal laws to make annual contributions to an escrow account to finance a minimum of all closure costs. The Board is in compliance with those minimum requirements, and at September 30, 2018, held investments in the amount of \$13,296,661 for these purposes that are reported as restricted assets on the balance sheet. The Board expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined; these costs may need to be covered by charges to future landfill users or from future tax revenue.

Note 13. Commitments and Contingencies

A. Contract commitments:

Grants

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

Long-Term Construction Projects

The Board is committed to various material long-term construction projects at September 30, 2018. These commitments have been included in the 2017-2018 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 September 30, 2018 approximate \$16.3 million.

B. Potential liabilities resulting from litigation:

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

C. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. The Board had no reserved encumbrances as of September 30, 2018.

**Board of County Commissioners
Leon County, Florida
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2018**

Note 14. Prior Period Adjustments

Net Position as of October 1, 2017 has been restated to reflect the following adjustments:

The Board adopted GASB Statement No. 75 which requires the restatement of the October 1, 2017 net position to add the governmental employer's applicable net OPEB liability as of the beginning of the initial period of implementation. This resulted in a decrease in the Business Type Activities - Landfill Fund net position of \$140,660 and in the Governmental Activities - Internal Service funds of \$51,337. Additional changes to beginning net position for governmental funds are reported in the Statement of Net Position of Leon County CAFR.

During the current fiscal year, management of the Housing Finance Authority, A component unit of the Board as noted in note 1, determined that a subordinate mortgage loan receivable was understated in the PY. This resulted in an increase to net position as of October 1, 2017 of \$154,869.

Note 15. Subsequent Event

The Board has evaluated subsequent events through [NEED DATE], the date the special-purpose financial statements were available to be issued.

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Other Schedules

DRAFT

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

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

Year Ended September 30, 2018

<u>Source</u>	<u>Amount Received during the 2017-18 Fiscal Year</u>	<u>Amount Expended during the 2017-18 Fiscal Year</u>
British Petroleum:		
Agreement No. 134036	\$ -	\$61,775

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

See independent auditors' report.

Other Reports

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**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Special-Purpose Financial
Statements Performed in Accordance with Government Auditing Standards**
September 30, 2018

DRAFT

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

The Honorable Board of County Commissioners
Leon County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Board of County Commissioners of Leon County, Florida (the Board), which comprise the statement of financial position as of September 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's special purpose financial statements, and have issued our report thereon dated **NEED DATE**.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Management Letter*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's special-purpose financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Management Letter* as item 2018-001 to be a material weakness.

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. We consider the deficiency described in the accompanying *Management Letter* as item 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's special-purpose financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board's Response to Findings

The Board's response to the findings identified in our audit is described in the accompanying *Management Letter*. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Thomas Howell Ferguson P.A.

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

Tallahassee, Florida
NEEDS DATE

Tallahassee, Florida

**Independent Accountants' Report on Compliance with Section 218.415,
Florida Statutes, Local Government Investment Policies
*September 30, 2018***

DRAFT

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

The Honorable Board of County Commissioners
Leon County, Florida

We have examined the Board of County Commissioners of Leon County, Florida's (the Board) compliance with local government investment policies provided in Section 218.415, *Florida Statutes*, during the year ended September 30, 2018. Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

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

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

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

Thomas Howell Ferguson P.A.

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

Tallahassee, Florida

NEEDS DATE

Tallahassee, Florida

**Independent Accountants' Report on Compliance with Sections 365.172
and 365.173, Florida Statutes, Emergency Communications Number
E911 System Fund
*September 30, 2018***

DRAFT

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

The Honorable Board of County Commissioners
Leon County, Florida

We have examined the Board of County Commissioners of Leon County, Florida's (the Board) compliance with emergency communications number E911 system fund requirements provided in Sections 365.172 and 365.173, *Florida Statutes*, during the year ended September 30, 2018. Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

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

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

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

Tallahassee, Florida
NEEDS DATE

Tallahassee, Florida

**Independent Accountants' Report on Compliance with Sections 288.8017,
Florida Statutes, Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill
September 30, 2018**

DRAFT

**Independent Accountants' Report on Compliance with
Section 288.8017, *Florida Statutes*, Receipts and Expenditures of Funds Related to
the Deepwater Horizon Oil Spill**

The Honorable Board of County Commissioners
Leon County, Florida

We have examined the Board of County Commissioners of Leon County, Florida's (the Board) compliance with the receipts and expenditures of funds related to the Deepwater Horizon oil spill provided in Section 288.8017, *Florida Statutes*, during the year ended September 30, 2018. Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

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

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

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

Tallahassee, Florida
NEEDS DATE

Tallahassee, Florida

**Management Letter
September 30, 2018**

DRAFT

Management Letter

The Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

We have audited the special-purpose financial statements of the Board of County Commissioners of Leon County, Florida (the Board), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated **NEEDS DATE**.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedules

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

2017-001 Closing Process

Management has taken corrective action for this recommendation. This corrective action includes hiring qualified personnel in key financial reporting position and reviewing and updating the applicable policies and procedures. This corrective action is ongoing as of **NEED DATE**.

2017-002 Solid Waste Cash Receipts.

Management has made efforts to analyze the issues and improve the process regarding the timing of submitting supporting details. This corrective action is ongoing as of **NEED DATE**.

Official Title and Legal Authority

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

Financial Management

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

2018-001 Closing Process

Criteria: The Committee for Sponsoring Organizations (COSO) defines internal controls as, “a process effected by an entity’s board, management, and other personnel, designed to provide reasonable assurance of the achievement of objectives relating to operations, reporting, and compliance.”

Accurate accounting, tracking, and reporting of Federal and State funds is imperative to ensure compliance with Federal and State laws, regulation, and provisions of grant agreements.

Condition: The preliminary financial reports for fiscal year 2018 included material errors and omitted information. The errors were discovered during the audit process and were properly investigated and corrected by management.

During our audit, we became aware certain financial tasks were not timely performed. The task and responsibilities not performed timely included bank reconciliations, preparation and review of the Schedule of Expenditures of Federal Awards and State Projects, reconciliation of other material schedules, and payments of liabilities.

Cause: The cause relates to significant turnover in management within the finance department.

The controls regarding the achievement of objectives for financial reporting are not properly designed and/or implemented. The components of internal control believed to be inadequate are the *Control Activities*, including incomplete policies and procedures and *Risk Assessment* of significant management turnover.

Effect: The impact of not timely performing reconciliations and payables is an increased risk of fraud and financial misstatement.

Additionally, these financial statement misstatements can lead to incomplete and inaccurate

information to those charged with governance, other constitutional officers and other County departments.

Recommendation: Management has started the process of hiring experienced and qualified staff after the unexpected turnover to address this issue. Management should review its policies and procedures for significant transaction cycles, including the treasury cycle (closing the books for each month and setting a timeline for the reconciliation of cash), and the expense/payable cycle (timely payment of invoices and defined procedures for reviewing and approving payments).

Management should continue to review the current department structure and staff to ensure an appropriate number of properly qualified employees to perform the responsibilities of financial reporting.

Management's response:

The Finance department has filled vacancies and is implementing policies and procedures to strengthen internal controls over closing processes. This includes the addition of hard deadlines for financial tasks to ensure that they are performed timely, as well as the requirement that a more thorough review of all source documentation and entries are performed prior to posting.

2018-002 Capitalization of fixed assets in accordance with GASB 34

Criteria: The Board of County Commissions sets the policies and procedures regarding the capitalization of fixed assets for financial reporting. These financial reporting policies and procedures are necessary for financial reporting in accordance with the Government Accounting Standards Board (GASB). Expenditures for assets meeting the capitalization requirements outlined in the capitalization policy should be included in the BOCC Sage Fixed Asset Listing.

Condition: We noted multiple expenditures for the purchase of capital assets or improvements meeting the definition of capital assets under GASB 34 and the capitalization policy of the Board of County Commissioners, that were not being properly reported or included on the fixed asset management system.

Cause: As of the period under audit, personnel had not been trained on proper GASB 34 reporting and capitalizing assets. The procedures in place during the audit period did not provide adequate direction to achieve the objectives for reporting fixed assets.

Effect (or potential effect): Management's risk of material misstatement over fixed assets reported on the government wide financial statements and the BOCC special purpose financial statements are increased.

Recommendation: Management should perform additional training of employees responsible for updating the Sage capital asset reports and determining if capital outlay items meet the requirements to be added to the fixed asset schedule for GASB 34 reporting.

Additionally, management should update its policies and procedures to include additional review and approval of capital outlay items meeting the threshold for GASB 34 reporting. Those responsible for financial reporting should retain documentation supporting its review, approval, and final determination for capital outlay items.

Management's response:

The policies and procedures over fixed assets are being updated for compliance with GASB 34. Staff will receive training on the new procedures and the Sage fixed asset accounting program will be configured to report fixed assets in accordance with the new policy. Also, Sage entries will be reviewed quarterly to ensure that all assets are classified timely.

2018-003 Solid Waste Cash Receipts

Criteria: The Committee for Sponsoring Organizations (COSO) defines internal controls as, “a process effected by an entity’s board, management, and other personnel, designed to provide reasonable assurance of the achievement of objectives relating to operations, reporting, and compliance.”

Condition: Several instances were noted of untimely deposits and untimely remittance of cash receipt documentation from the Solid Waste Division to those responsible for financial reporting.

Cause: The controls regarding the achievement of objectives for financial reporting are not properly designed and/or implemented. The components of internal control believed to be inadequate are *Information and Communication* and *Control Activities*, including incomplete policies and procedures.

Effect: Incomplete financial policies and procedures lead to differences in the performance and the timing of certain material financial reporting task. Delays in the timing of the performance of required task increases both the risk of fraud and the risk of financial misstatement.

Recommendation: Management should review its internal policies and procedures and ensure the policies are properly designed and the controls are performed as designed. Management should review the duties and responsibilities required of the solid waste staff and look for ways to allocate various tasks to segregate duties and cross train. Additionally, improvements to the cash receipt and deposit process should be evaluated and considered.

Management's response:

Management is modifying policies and procedures to ensure that any Solid Waste cash receipt discrepancies are identified and corrected in a timely manner. This includes that the Finance department, with the assistance of the Division of Solid Waste, will prepare a report to reconcile Solid Waste cash receipts monthly.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, the matters of noncompliance noted are reported in the *Schedule of Findings and Questioned Costs* as part of the Leon County, Florida government-wide financial reporting package.

Purpose of this Letter

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

Thomas Howell Ferguson P.A.

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

Tallahassee, Florida
NEEDS DATE

Tallahassee, Florida