

Leon County, Florida



Annual Financial Report *For The Fiscal Year Ended September 30, 2015*

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

Leon County, Florida,
Annual Financial Report

Year ended September 30, 2015

Table of Contents

Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
A. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual for Major Funds with Annually Appropriated Budgets:	
General Fund.....	24
Fine and Forfeiture Fund	25
Grants Fund.....	26
Fire Rescue Services Fund.....	27
Special Assessment Paving Fund	28
Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Funds.....	29
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds	31
Fiduciary Fund Statement:	
Statement of Fiduciary Net Position - Agency Funds.....	33
Notes to Financial Statements	34

Annual Financial Report

Year ended September 30, 2015

Table of Contents (continued)

B. Required Supplementary Information

Proportionate Share of Net Pension Liability – Florida Retirement System.....	101
Schedule of Contributions – Florida Retirement System.....	102
Proportionate Share of Net Pension Liability – Health Insurance Subsidy Program.....	103
Schedule of Contributions - Health Insurance Subsidy Program.....	104

C. Internal Control and Compliance Reports

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> Standards.....	105
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550, <i>Rules of the Auditor General</i>	107
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	110
Schedule of Findings and Questioned Costs.....	113
Summary Schedule of Prior Audit Findings.....	116

D. Management Letter

Letter to the Leon County Board of County Commissioners dated February 29, 2016.....	117
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Independent Auditors' Report

The Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of Leon County, Florida (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of Leon County, Florida as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison statements of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reports

We have audited the financial statements of Leon County as of and for the year ended September 30, 2015, and have issued our report thereon dated February 29, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, schedule of findings and questioned costs, and summary schedule of prior audit findings are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used

to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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



Thomas Howell Ferguson P.A.
Tallahassee, Florida
February 29, 2016



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

Management's Discussion and Analysis

This discussion and analysis of Leon County's (the County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2015. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. We trust that the basic financial statements will, in conjunction with additional information provided in our letter of transmittal (pages xii–pages xviii), assist readers in identifying significant financial issues, and in future years, changes in the County's financial position. In this Management's Discussion and Analysis (MD&A), all amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Fund Financial Statements (continued)

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

Table 1 Major Features of the Basic Financial Statements

	Government-wide Fund Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and the County's component unit	Activities of the County that are not proprietary or fiduciary	Activities of the County that are similar to private businesses	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both, financial and capital, and short-term and long-term	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> • Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter 	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

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

Infrastructure Assets

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

Condensed Statement of Net Position

The net investment in capital assets is the largest portion of the County's net position. This represents capital assets (land, buildings, improvements, equipment, furniture, vehicles, and construction in progress, and infrastructure), net of accumulated depreciation, and the outstanding related debt used to acquire the assets in the amount of \$275.1 million as compared to \$278.1 million a year ago; this is a decrease of \$3.0 million. Net investment in capital assets decreased this year. This is because several projects in Construction-In-Progress (CIP) were determined to not meet the definition of a capital asset, resulting in a reduction of \$25 million. These capital assets are used to provide services to the citizens and businesses in the County; consequently, the net position is not available for future spending. The remaining portion of the net position is considered unrestricted and can be used to finance government operations.

The beginning balances of the Net Position were restated due to the change in CIP and the implementation of GASB 68. In the State of Florida, our pension is handled by the Florida Retirement System (FRS). The FRS funded ratio is 86.5% for July 2015 on the valuation funding basis as compared to 86.6% for July 2014. The funded ratio on the Governmental Accounting Standards Board Statement No. 67 basis was 92% as of July 1, 2015 compared to 96.09% in 2014.

Although well funded, the Net Position for Leon County had to be reduced by an additional \$76 million. This amount included the measurement and recognition of liabilities, deferred outflows/inflows of resources, and expenditures for the pension plan.

Condensed Statement of Net Position (continued)

Table 2 below presents the County's Condensed Statement of Net Position as of September 30, 2015 and 2014, as derived from the government-wide Statement of Net Position.

Table 2

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 156,325	\$ 166,291	\$ 16,737	\$ 17,180	\$ 173,062	\$ 183,471
Capital assets	312,901	322,586	12,780	12,661	325,681	360,689
Total assets	<u>469,226</u>	<u>488,877</u>	<u>29,517</u>	<u>29,841</u>	<u>498,743</u>	<u>544,160</u>
Deferred outflows	<u>35,748</u>	<u>686</u>	<u>0</u>	<u>0</u>	<u>35,748</u>	<u>686</u>
 Total assets and deferred outflows	 <u>504,974</u>	 <u>489,563</u>	 <u>29,517</u>	 <u>29,841</u>	 <u>534,491</u>	 <u>519,404</u>
 Current liabilities	 36,302	 36,576	 (220)	 (45)	 36,082	 36,531
Noncurrent liabilities	139,845	146,285	11,201	12,018	151,046	82,076
Total liabilities	<u>176,147</u>	<u>182,861</u>	<u>10,981</u>	<u>11,973</u>	<u>187,128</u>	<u>118,607</u>
Deferred inflows	<u>34,988</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,988</u>	<u>0</u>
 Net position:						
Net investment in capital assets	262,348	265,399	12,780	12,661	275,128	278,060
Unrestricted	31,490	41,303	5,755	5,206	37,245	46,509
*Total net position	<u>\$ 293,838</u>	<u>\$ 306,702</u>	<u>\$ 18,535</u>	<u>\$ 17,867</u>	<u>\$ 312,373</u>	<u>\$ 324,569</u>

**Differences due to rounding*

Condensed Statement of Activities

Table 3 on page 9 presents the County's condensed Statement of Activities for the fiscal years ended September 30, 2015 and 2014, as derived from the government-wide Statement of Activities. Over time, increases and decreases in net position may measure whether the County's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities decreased by \$12.863 million, or 4.2 percent, and the net position of the business-type net position increased by \$0.668 million, or 3.7 percent. The decrease in Governmental Activities is a planned reduction in appropriated expenditures by the Board of County Commissioners. The increase in business-type activity is due to planned improvements to the solid waste buildings not being started in 2015.

In 2003, the Board of County Commissioners adopted an ordinance levying a Utility Services Tax on the unincorporated area of Leon County. This tax generated \$5.7 million in FY 2014 versus \$5.9 million in FY 2015. The County also adopted a Communications Services Tax in FY 2003, with revenues in the amount of \$3.5 million in FY 2015 compared to revenues of \$3.6 million in FY 2014. These two taxes have been a stabilizing factor in the County's financial picture, which was the intent of the ordinances.

Condensed Statement of Activities (continued)

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

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

The Board of County Commissioners (the Board) Investment Policy is very risk averse and places a premium on security. With the effective rate of return of the portfolio averaging 1.02% for the year, investment earnings in the portfolio earned a total income of \$2,105 million, an increase of \$881 thousand from 2014. This increase was attributable to a higher return even though invested funds decreased slightly as the County appropriated some of its reserves for capital projects such as the completion of Cascades Park. Additional information on investment income is provided in Note IV of the notes and in the Cash Management section of the Letter of Transmittal.

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

Table 3

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change 2013 to 2015
	2015	2014	2015	2014	2015	2014	
Revenues							
Program Revenues:							
Charges for services	\$ 37,786	\$ 38,198	\$ 7,026	\$ 7,299	\$ 44,812	\$ 45,497	(2)%
Operating grants & contributions	4,116	4,307	0	0	4,116	4,307	(4)%
Capital grants & contributions	3,729	2,208	0	0	3,729	2,208	69 %
Total Program Revenues	<u>45,631</u>	<u>44,713</u>	<u>7,026</u>	<u>7,299</u>	<u>52,657</u>	<u>52,012</u>	<u>1 %</u>
General Revenues:							
Property taxes	121,697	117,216	0	0	121,697	117,216	4 %
Local option taxes	15,662	13,984	0	0	15,662	13,984	12 %
Franchise taxes	0	1	0	0	0	1	(100)%
Communications services taxes	3,500	3,646	0	0	3,500	3,646	(4)%
Motor fuel taxes	1,387	1,406	0	0	1,387	1,406	(1)%
Utility services taxes	5,910	5,748	0	0	5,910	5,748	3 %
Other taxes	0	0	1,801	1,703	1,801	1,703	6 %
State shared revenues	22,939	21,760	0	0	22,939	21,760	5 %
Investment earnings	1,920	1,051	185	173	2,105	1,224	72 %
Miscellaneous revenues	4,328	3,062	85	16	4,413	3,078	43 %
Total General Revenues	<u>177,343</u>	<u>167,874</u>	<u>2,071</u>	<u>1,892</u>	<u>179,414</u>	<u>169,766</u>	<u>6 %</u>
Total Revenues	<u>222,974</u>	<u>212,587</u>	<u>9,097</u>	<u>9,191</u>	<u>232,071</u>	<u>221,778</u>	<u>5 %</u>
Program Expenses							
General government	37,300	41,084	0	0	37,300	41,084	(9)%
Public safety	100,673	72,680	0	0	100,673	72,680	39 %
Physical environment	17,173	19,922	8,837	10,866	26,010	30,788	(16)%
Transportation	27,166	28,087	0	0	27,166	28,087	(3)%
Economic environment	5,489	5,005	0	0	5,489	5,005	10 %
Human services	9,891	8,864	0	0	9,891	8,864	12 %
Culture and recreation	15,678	15,160	0	0	15,678	15,160	3 %
Judicial	20,099	14,853	0	0	20,099	14,853	35 %
Interest on long-term debt	1,959	2,473	0	0	1,959	2,473	(21)%
*Total Program Expenses	<u>235,428</u>	<u>208,128</u>	<u>8,837</u>	<u>10,866</u>	<u>244,265</u>	<u>218,994</u>	<u>12 %</u>
Excess (deficiency) before transfers (net)	(12,454)	4,459	260	(1,675)	(12,194)	2,784	(538)%
Transfers	(409)	(881)	409	881	0	0	0 %
Change In Net Position	<u>(12,863)</u>	<u>3,578</u>	<u>669</u>	<u>(794)</u>	<u>(12,194)</u>	<u>2,784</u>	<u>(538)%</u>
Beginning net position (restated)	306,702	303,124	17,866	18,660	324,568	321,784	1 %
*Ending net position	<u>\$ 293,839</u>	<u>\$ 306,702</u>	<u>\$ 18,535</u>	<u>\$ 17,866</u>	<u>\$ 312,374</u>	<u>\$ 324,568</u>	<u>(4)%</u>

*Differences due to rounding

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. The nature of governmental activities is to be funded primarily from taxes and not to be self-supporting. As a result, overall program revenues were not sufficient to cover program expenses for governmental activities. General revenues, mainly taxes, therefore supported the net program expenses of these governmental activities. Program revenues as a percentage of program expenses decreased to 19 percent from fiscal year 2014 to fiscal year 2015.

Table 4

	Program Expenses and Revenues for Governmental Activities For the Fiscal Year Ended September 30 (in thousands)					
	Program Expenses	Less Program Revenues	Net Program Expenses (a)		Program Revenues as a Percentage of Program Expenses	
	2015	2015	2015	2014	2015	2014
General government	\$ 37,300	\$ 6,987	\$ 30,313	\$ 33,283	19 %	19 %
Public safety	100,673	22,716	77,957	49,874	23 %	31 %
Physical environment	17,173	3,241	13,932	17,080	19 %	14 %
Transportation	27,166	1,951	25,215	26,268	7 %	6 %
Economic environment	5,489	321	5,168	4,896	6 %	2 %
Human services	9,891	46	9,845	8,833	0 %	0 %
Culture and recreation	15,678	309	15,369	14,903	2 %	2 %
Judicial	20,099	10,061	10,038	5,805	50 %	61 %
Interest on long-term debt	1,959	0	1,959	2,473	N/A	N/A
*Total governmental activities	<u>\$ 235,428</u>	<u>\$ 45,632</u>	<u>\$ 189,796</u>	<u>\$ 163,415</u>	<u>19 %</u>	<u>25 %</u>

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

**Differences from financial statements due to rounding*

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program expenses and revenues for business-type activities. Revenues are not sufficient to cover program expenses in FY 2015. Program revenues as a percentage of expenses increased to 80% from 2014 to 2015. After consulting with DEP it was determined that the long-term care obligation for the three Landfill Cells had been met and were determined complete on July 15, 2015, thus resulting in a reduction in the Landfill closure/post closure liability.

Table 5

County Programs	Program Expenses and Revenues for Business-type Activities For the Year Ended September 30 (in thousands)					
	Program Expenses	Less Program Revenues	Net Program Expenses		Program Revenues as a Percentage of Program Expenses	
	2015	2015	2015	2014	2015	2014
Landfill	<u>\$ 8,837</u>	<u>\$ 7,026</u>	<u>\$ 1,811</u>	<u>\$ 3,567</u>	<u>80 %</u>	<u>67 %</u>

Overall Analysis

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

- The assets of the County exceeded its liabilities (net position) at the close of fiscal year 2015 by \$293,838,564, as compared to \$306,701,567 (as restated) for fiscal year 2014, for governmental activities. The assets for business-type activities exceeded its liabilities (net position) at the close of fiscal year 2015 by \$18,535,407 as compared to \$17,866,953 for fiscal year 2014. (Please see the Statement of Activities discussed previously for an explanation of the differences above.)
- The County's total net position decreased by \$12,194,549 during fiscal year 2015, as compared to a \$2,783,154 increase in fiscal year 2014. The net position of governmental activities decreased by \$12,863,003 in fiscal year 2015, as compared to an increase of \$3,575,999 in 2014. The net position of business-type activities increased by \$668,454 in 2015, as compared to a decrease of \$792,845 in 2014. This variance for governmental activities is effected by the recognition of pension expenditures in 2015 to comply with GASB 68. (Please see the Statement of Activities discussed previously for an explanation of the differences above.)

Fund Analysis

The following funds experienced significant changes during the year:

Governmental Funds

The County's governmental funds reported a combined ending fund balance of \$129,954,638 for fiscal year 2015, as compared to \$139,133,193 for fiscal year 2014. This reduction in fund balance is a planned appropriation of expenditures primarily in the Capital Improvement Fund and the Local Option Sales Tax Fund. These appropriations allow the Board to maintain existing infrastructure over the next five years.

General Fund

Fund balance at September 30, 2015 has increased to a total of \$43,412,977, as compared to \$39,763,787 for September 30, 2014. The \$3,649,190 increase is due to the 3.9% increase in property taxes, which Leon County chose not to use. The General Fund reserves are within policy limits and allow the County to maintain the same property millage rates for 2015.

The General Fund of the Board of County Commission, as displayed on the Combining Balance Sheet, contains both Countywide General Revenue funds and the Non-Countywide General Revenue fund. The sole purpose of the Non-Countywide General Revenue funds is to capture discrete revenues and transfer those revenues to the various funds needing support (i.e. various Debt Service, Municipal Services, Growth Management, etc.) from unincorporated revenues. The Non-Countywide General Revenue funds do not contain any countywide property tax revenues. The actual year end fund balance for the Countywide General Revenue funds is \$37,233,649 for FY 2015 versus \$38,154,281 for FY 2014. The Non-Countywide fund balance is \$3,612,218 for FY 2015, versus \$2,150,617 for FY 2014.

Fine & Forfeiture Fund

Fund balance at September 30, 2015 totaled \$1,840,601, as compared to \$3,183,316 for September 30, 2014. This is a decrease for the fiscal year and relates to a smaller return of excess fees from the Sheriff's office. The health care costs for special risk employees of the Sheriff increased 12% and required more funds for 2015.

Grants Fund

The fund balance at September 30, 2015 totaled \$1,519,490, as compared to the September 30, 2014 balance of \$1,557,911. This was a small decrease of \$38,421. Grant expenditures were completely offset by grant revenues plus the County transfers required for matching requirements.

Fire Rescue Services Fund

The Fire Rescue Services Fund accounts for the contractual services with the City of Tallahassee to provide fire services in the unincorporated area. Revenues are collected through a fire services fee charged to all unincorporated properties. The fees were developed by a consultant that determined the costs for providing fire services to the different types of properties. This is the fifth year that this fund is considered a major fund. The net change in fund balance is a increase of \$267,470 with fund balance in FY 2015 at \$1,128,724 from a fund balance in FY 2014 of \$861,254.

Special Assessments Paving Fund

The Special Assessment Paving Fund accounts for the repayment of special assessments associated with the County's paving program. Revenues are collected as a non-ad valorem special assessment on the annual tax bill. The revenues are from property owners that are repaying the county for the costs to construct the paving projects. The net change in fund balance is an increase of \$3,629 with fund balance in September 30, 2015 at \$264,056 from a fund balance in September 30, 2014 of \$260,427. The increase is due to receipts paid in advance.

Capital Improvement Fund

Fund balance at September 30, 2015 totaled \$19,940,027, as compared to \$25,925,959 for September 30, 2014. This was a decrease of \$5,985,932. This decrease can be attributed to the County's planned spending on various capital projects from appropriated fund balance that was set aside for these projects, such as construction of the Capital Cascades Crossing, Magnolia Drive Multi Use Trail, and renovation of the office space for the Probation Department.

Enterprise Funds

The County's proprietary funds reported net position of \$18,535,407 for September 30, 2015, as compared to \$17,866,953 for September 30, 2014, which is an increase of \$668,454. Receipts and Operating Income were greater than expected for the solid wastes.

Budget Variances in the General Fund

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

Capital Asset and Long-term Debt Activity

Capital Asset Activity

The County reported \$312,901,234 in capital assets for governmental activities and \$12,779,942 in capital assets for business-type activities at September 30, 2015, versus \$322,585,437 for governmental and \$12,660,572 for business-type activities at September 30, 2014. Please refer to Note VI in the Notes to the Financial Statements for additional information on capital assets and Note XIV in the Notes to the Financial Statements for additional information on construction commitments. Construction in Progress was reduced by \$25 million after a review of capital projects found that some projects were for repairs and maintenance, not capital projects.

Debt Administration Activity

At September 30, 2015, the County had \$50,553,000 of outstanding bonded debt, as compared to \$57,186,000 at September 30, 2014. All of the County's debt is secured by specific general fund revenues, including sales tax, state revenue sharing, and specific other general fund revenues. The County has no general obligation bonds, which would be backed by the full faith and credit of the County. During 2015, the County refunded the final portion of the Capital Improvement Revenue Refunding Bonds with a bank loan. Leon County will finish paying off debt in 2025. There are no plans for financing any future infrastructure projects over the next five years. For more information on long-term debt activity, please see Note VIII on Long-term Obligations in the Notes to the Financial Statements.

Economic Factors

Economic activity continues to rebound from the recession.

- The number of State Employees working in Leon County increased from 19,322 in 2014 to 22,612 in 2015.
- CPI (Consumer Price Index) increased from 1.3 in 2014 to 1.7 in 2015.
- GDP in Leon County increased from \$13.8 billion in 2013 to \$14.2 billion in 2014.
- Park and Facility Acreage has increased from 3,377 in 2010 to 3,847 in 2015.
- The estimated population in Leon County increased 1.12% from 281,292 to 284,443 during FY 2015.
- Leon County's unemployment rate decreased to 5.0% in FY 2015.
- Building permits decreased from 2,197 permits issued in FY 2014 to 1,825 in FY 2015.
- Beginning January 1, 2015, Florida's minimum wage rate increased from \$7.93 per hour to \$8.05 per hour.
- Leon County's citizen's personal bankruptcy petition filing rate (per 1,000 population) decreased from 1.51 in FY 2014 to 1.39 in FY 2015 compared to the national rate of 2.55 bankruptcy petitions per 1,000 citizens.
- In November 2014, the citizens of Leon County and the City of Tallahassee approved a referendum providing a second extension of the 1-Cent Local Option Sales Tax ending in 2039,(an estimated \$756 million).
- Of the total 1-Cent Local Option Sales Tax expected, an estimated \$90.7 million will be devoted to economic development to be used on 10 proposed projects, such as airport improvements.

Request for Information

This financial report is designed to provide a general overview of Leon County Government's finances for all those with an interest in our government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Clerk of Circuit Court & Comptroller, Finance Department Leon County, 301 S. Monroe Street, Room #100, Tallahassee, Florida 32301. Requests can also be made telephonically at (850) 577-4020 or by fax at (850) 577-4255. We also suggest visiting our website at www.clerk.leon.fl.us for further financial information.

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Leon County, Florida
Statement of Net Position
September 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Assets				
Current assets:				
Cash	\$ 30,465,005	\$ 1,708	\$ 30,466,713	\$ 671,550
Investments	113,077,072	8,270,604	121,347,676	0
Receivables	6,866,766	790,688	7,657,454	10
Receivables from other governments	5,183,821	0	5,183,821	0
Inventory	677,141	3,762	680,903	0
Other assets	54,727	0	54,727	0
Total current assets	<u>156,324,532</u>	<u>9,066,762</u>	<u>165,391,294</u>	<u>671,560</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	0	7,669,889	7,669,889	0
Capital assets:				
Land and construction in progress, nondepreciable	59,263,780	1,809,844	61,073,624	0
Depreciable (net)	253,637,454	10,970,098	264,607,552	0
Total noncurrent assets	<u>312,901,234</u>	<u>20,449,831</u>	<u>333,351,065</u>	<u>0</u>
Total assets	<u>469,225,766</u>	<u>29,516,593</u>	<u>498,742,359</u>	<u>671,560</u>
Deferred outflows				
Deferred outflow of resources	35,748,250	0	35,748,250	0
Total deferred outflows	<u>35,748,250</u>	<u>0</u>	<u>35,748,250</u>	<u>0</u>
Total assets and deferred outflows	<u>504,974,016</u>	<u>29,516,593</u>	<u>534,490,609</u>	<u>671,560</u>
Liabilities				
Current liabilities:				
Accounts payable	10,762,473	163,459	10,925,932	105
Payable to other governments	2,317,048	0	2,317,048	0
Internal balances	435,012	(435,012)	0	0
Accrued compensated absences	4,566,808	51,345	4,618,153	0
Unearned revenues	6,531,529	589	6,532,118	0
Bonds and notes payable	7,535,540	0	7,535,540	0
Unamortized premium on bonds payable	473,902	0	473,902	0
Other current liabilities	3,679,762	0	3,679,762	0
Total current liabilities	<u>36,302,074</u>	<u>(219,619)</u>	<u>36,082,455</u>	<u>105</u>
Noncurrent liabilities:				
Deposits	636,004	0	636,004	0
Estimated liability for landfill closure and postclosure care costs	0	10,977,531	10,977,531	0
Arbitrage rebate liability	25,000	0	25,000	0
Accrued compensated absences	10,662,717	121,200	10,783,917	0
Other postemployment benefits obligation	7,048,844	102,074	7,150,918	0
Net pension liability	77,180,952	0	77,180,952	0
Bonds and notes payable	44,291,648	0	44,291,648	0
Total noncurrent liabilities	<u>139,845,165</u>	<u>11,200,805</u>	<u>151,045,970</u>	<u>0</u>
Total liabilities	<u>176,147,239</u>	<u>10,981,186</u>	<u>187,128,425</u>	<u>105</u>
Deferred inflows				
Deferred inflow of resources	34,988,213	0	34,988,213	0
Total deferred inflows	<u>211,135,452</u>	<u>10,981,186</u>	<u>222,116,638</u>	<u>105</u>
Net position				
Net investment in capital assets	262,348,234	12,779,942	275,128,176	0
Unrestricted	31,490,330	5,755,465	37,245,795	671,455
Total net position	<u>\$ 293,838,564</u>	<u>\$ 18,535,407</u>	<u>\$ 312,373,971</u>	<u>\$ 671,455</u>

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

Leon County, Florida

Statement of Activities

Year Ended September 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operational Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 37,299,526	\$ 6,488,469	\$ 498,056	\$ 0
Public safety	100,672,617	21,304,455	716,023	695,403
Physical environment	17,172,502	1,052,321	116,475	2,071,893
Transportation	27,165,708	537,738	472,538	940,375
Economic environment	5,489,043	282,625	38,643	0
Human services	9,890,901	0	45,720	0
Culture and recreation	15,678,452	252,725	35,296	20,979
Judicial	20,099,483	7,867,373	2,193,423	0
Interest on long-term debt	1,958,500	0	0	0
Total governmental activities	<u>235,426,732</u>	<u>37,785,706</u>	<u>4,116,174</u>	<u>3,728,650</u>
Business-type activities:				
Landfill	8,836,632	7,025,659	0	0
Total business-type activities	<u>8,836,632</u>	<u>7,025,659</u>	<u>0</u>	<u>0</u>
Total primary government	<u>\$ 244,263,364</u>	<u>\$ 44,811,365</u>	<u>\$ 4,116,174</u>	<u>\$ 3,728,650</u>
Component Unit:				
Economic environment	78,288	92,635	0	0
Total component unit	<u>\$ 78,288</u>	<u>\$ 92,635</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

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

Net Revenue (Expense) and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	<u>Component Unit Housing Finance Authority</u>
\$ (30,313,001)	\$ 0	\$ (30,313,001)	\$ 0
(77,956,736)	0	(77,956,736)	0
(13,931,813)	0	(13,931,813)	0
(25,215,057)	0	(25,215,057)	0
(5,167,775)	0	(5,167,775)	0
(9,845,181)	0	(9,845,181)	0
(15,369,452)	0	(15,369,452)	0
(10,038,687)	0	(10,038,687)	0
(1,958,500)	0	(1,958,500)	0
<u>(189,796,202)</u>	<u>0</u>	<u>(189,796,202)</u>	<u>0</u>
<u>0</u>	<u>(1,810,973)</u>	<u>(1,810,973)</u>	<u>0</u>
<u>0</u>	<u>(1,810,973)</u>	<u>(1,810,973)</u>	<u>0</u>
<u>(189,796,202)</u>	<u>(1,810,973)</u>	<u>(191,607,175)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>14,347</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>14,347</u>
121,696,580	0	121,696,580	0
15,662,169	0	15,662,169	0
3,499,854	0	3,499,854	0
1,387,332	0	1,387,332	0
5,909,755	0	5,909,755	0
0	1,800,515	1,800,515	0
22,939,326	0	22,939,326	0
1,919,544	184,762	2,104,306	6,691
4,327,783	85,006	4,412,789	0
(409,144)	409,144	0	0
<u>176,933,199</u>	<u>2,479,427</u>	<u>179,412,626</u>	<u>6,691</u>
(12,863,003)	668,454	(12,194,549)	21,038
<u>306,701,567</u>	<u>17,866,953</u>	<u>324,568,520</u>	<u>650,417</u>
<u>\$ 293,838,564</u>	<u>\$ 18,535,407</u>	<u>\$ 312,373,971</u>	<u>\$ 671,455</u>

Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2015

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Assets				
Cash	\$ 17,501,211	\$ 173,437	\$ 128,416	\$ 640
Investments	31,328,248	1,394,012	4,776,030	2,757,968
Receivables:				
Accounts	227,212	6,402	1,352	4,392
Intergovernmental	2,021,651	0	1,034,115	0
Special assessments	0	0	0	0
Due from other funds	576,578	569,132	0	0
Inventory	630,165	0	0	0
Other assets	44,527	0	0	0
Total assets	<u>\$ 52,329,592</u>	<u>\$ 2,142,983</u>	<u>\$ 5,939,913</u>	<u>\$ 2,763,000</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 3,880,023	\$ 15,943	\$ 31,239	\$ 0
Accrued liabilities	3,927,729	0	2,112	0
Intergovernmental payables	123,904	0	0	1,634,276
Due to other funds	907,358	0	37,929	0
Deposits	77,601	286,439	0	0
Unearned revenues	0	0	4,349,143	0
Total liabilities	<u>8,916,615</u>	<u>302,382</u>	<u>4,420,423</u>	<u>1,634,276</u>
Fund balances:				
Nonspendable	674,692	0	0	0
Restricted	0	0	1,519,490	0
Committed	6,511,947	276,090	0	1,128,724
Assigned	7,271,200	1,564,511	0	0
Unassigned	28,955,138	0	0	0
Total fund balances	<u>43,412,977</u>	<u>1,840,601</u>	<u>1,519,490</u>	<u>1,128,724</u>
Total liabilities and fund balances	<u>\$ 52,329,592</u>	<u>\$ 2,142,983</u>	<u>\$ 5,939,913</u>	<u>\$ 2,763,000</u>

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

Special Assessment Paving Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 231,658	\$ 5,295,933	\$ 6,309,964	\$ 29,641,259
0	14,949,091	52,576,466	107,781,815
32,398	126,826	4,581,111	4,979,693
0	0	2,107,902	5,163,668
1,702,459	0	10	1,702,469
0	0	335,922	1,481,632
0	0	2,640	632,805
0	0	10,200	54,727
<u>\$ 1,966,515</u>	<u>\$ 20,371,850</u>	<u>\$ 65,924,215</u>	<u>\$ 151,438,068</u>
\$ 0	\$ 281,898	\$ 1,944,553	\$ 6,153,656
0	0	501,145	4,430,986
0	0	558,868	2,317,048
0	0	468,920	1,414,207
0	149,925	122,039	636,004
1,702,459	0	479,927	6,531,529
<u>1,702,459</u>	<u>431,823</u>	<u>4,075,452</u>	<u>21,483,430</u>
0	0	12,840	687,532
0	19,940,027	43,440,446	64,899,963
264,056	0	17,915,540	26,096,357
0	0	479,937	9,315,648
0	0	0	28,955,138
<u>264,056</u>	<u>19,940,027</u>	<u>61,848,763</u>	<u>129,954,638</u>
<u>\$ 1,966,515</u>	<u>\$ 20,371,850</u>	<u>\$ 65,924,215</u>	<u>\$ 151,438,068</u>

Leon County, Florida

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

September 30, 2015

Total fund balances of governmental funds		\$ 129,954,638
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.		
Governmental capital assets	646,246,435	
Less accumulated depreciation	<u>(333,345,201)</u>	312,901,234
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Governmental bonds and notes payable	(51,827,188)	
Discount/(Premium)	(521,292)	
Current year amortization	47,390	
Deferral outflow of difference in carrying value between old and new debt	728,250	
Current year amortization	(242,750)	
Deferral for retirement contributions	35,262,750	
Deferral for payments to retirees	(34,988,213)	
Net pension liability	(77,180,952)	
Compensated absences net of internal service amount	(14,542,253)	
Other postemployment benefits net of internal service amount	(7,000,105)	
Arbitrage rebate liability	<u>(25,000)</u>	(150,289,363)
Internal service funds are used by management to charge the costs of gasoline, vehicle repair, risk management, and telephone services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
		1,272,055
Total net position of governmental activities		<u>\$ 293,838,564</u>

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

Leon County, Florida

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

Year Ended September 30, 2015

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Fire Rescue Services Fund</u>
Revenues				
Taxes	\$ 47,330,896	\$ 67,860,491	\$ 0	\$ 0
Licenses and permits	0	0	0	0
Intergovernmental	20,307,590	19,191	3,467,826	0
Charges for services	7,276,385	896,344	119,228	7,161,671
Fines and forfeitures	0	189,457	0	0
Interest	577,265	186,573	3,877	26,020
Net increase (decrease) in fair value of investments	48,405	1,995	7,390	4,899
Miscellaneous	1,013,966	0	382,728	0
Total revenues	<u>76,554,507</u>	<u>69,154,051</u>	<u>3,981,049</u>	<u>7,192,590</u>
Expenditures				
Current:				
General government	29,596,320	0	0	0
Public safety	65,840,417	0	442,655	6,891,327
Physical environment	2,299,570	0	1,244,102	0
Transportation	0	0	2,008,744	0
Economic environment	1,868,353	0	44,355	0
Human services	7,928,448	100,330	137,188	0
Culture and recreation	6,344,382	0	142,436	0
Judicial	10,734,475	1,602,990	24,694	0
Debt service:				
Principal retirement	0	0	0	0
Interest and fiscal charges	0	0	0	0
Total expenditures	<u>124,611,965</u>	<u>1,703,320</u>	<u>4,044,174</u>	<u>6,891,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,057,458)</u>	<u>67,450,731</u>	<u>(63,125)</u>	<u>301,263</u>
Other financing sources (uses)				
Transfers in	69,690,150	539,817	145,859	0
Refunding bonds issued	0	0	0	0
Transfers out	(17,983,502)	(69,333,263)	(121,155)	(33,793)
Payment to refunding bond escrow agent	0	0	0	0
Total other financing sources (uses)	<u>51,706,648</u>	<u>(68,793,446)</u>	<u>24,704</u>	<u>(33,793)</u>
Net change in fund balances	3,649,190	(1,342,715)	(38,421)	267,470
Fund balances, October 1	39,763,787	3,183,316	1,557,911	861,254
Fund balances, September 30	<u>\$ 43,412,977</u>	<u>\$ 1,840,601</u>	<u>\$ 1,519,490</u>	<u>\$ 1,128,724</u>

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

Special Assessment Paving Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 32,964,303	\$ 148,155,690
0	0	2,217,507	2,217,507
0	0	6,989,543	30,784,150
0	0	19,426,617	34,880,245
0	0	498,497	687,954
45,311	219,540	621,661	1,680,247
0	25,415	90,771	178,875
<u>272,225</u>	<u>0</u>	<u>2,658,864</u>	<u>4,327,783</u>
<u>317,536</u>	<u>244,955</u>	<u>65,467,763</u>	<u>222,912,451</u>
0	3,005,708	2,784,269	35,386,297
0	113,528	27,609,987	100,897,914
0	1,415,349	7,837,089	12,796,110
0	848,504	20,085,039	22,942,287
0	10,883	3,525,739	5,449,330
0	0	1,511,932	9,677,898
0	1,667,493	7,481,462	15,635,773
0	255,426	7,418,923	20,036,508
0	0	706,605	706,605
0	0	1,376,864	1,376,864
<u>0</u>	<u>7,316,891</u>	<u>80,337,909</u>	<u>224,905,586</u>
<u>317,536</u>	<u>(7,071,936)</u>	<u>(14,870,146)</u>	<u>(1,993,135)</u>
0	1,107,834	23,381,623	94,865,283
0	0	13,692,000	13,692,000
(313,907)	(21,830)	(7,466,977)	(95,274,427)
<u>0</u>	<u>0</u>	<u>(20,468,276)</u>	<u>(20,468,276)</u>
<u>(313,907)</u>	<u>1,086,004</u>	<u>9,138,370</u>	<u>(7,185,420)</u>
3,629	(5,985,932)	(5,731,776)	(9,178,555)
<u>260,427</u>	<u>25,925,959</u>	<u>67,580,539</u>	<u>139,133,193</u>
<u>\$ 264,056</u>	<u>\$ 19,940,027</u>	<u>\$ 61,848,763</u>	<u>\$ 129,954,638</u>

Leon County, Florida

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

Year Ended September 30, 2015

Net change in fund balances - total governmental funds		\$ (9,178,555)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capital assets	10,637,634	
Less current year depreciation	<u>(20,321,837)</u>	(9,684,203)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities before deferred outflows of \$915,000.		20,788,605
Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the Statement of Net Position.		(13,692,000)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.</p>		
Amortization of current year bond discount/premium	47,390	
Amortization of current year deferred charge on refunding	(242,750)	
Change in other postemployment benefits	(879,814)	
Change in long-term compensated absence	786,699	
Change in net pension liability	<u>(679,247)</u>	(967,722)
Internal service funds are used by management to charge the costs of gasoline, vehicle repair, risk management, and telephone services to individual funds.		<u>(129,128)</u>
Change in net position of governmental activities		<u>\$ (12,863,003)</u>

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

Leon County, Florida

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

Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 45,246,987	\$ 45,246,987	\$ 47,330,896	\$ 2,083,909
Intergovernmental	19,427,704	19,475,609	20,307,590	831,981
Charges for services	12,108,074	12,629,790	7,276,385	(5,353,405)
Interest	325,588	325,588	577,265	251,677
Net increase (decrease) in fair value of investments	0	0	48,405	48,405
Miscellaneous	336,606	285,633	1,013,966	728,333
Total revenues	<u>77,444,959</u>	<u>77,963,607</u>	<u>76,554,507</u>	<u>(1,409,100)</u>
Expenditures				
Current:				
General government	36,849,774	40,390,776	29,596,320	10,794,456
Public safety	66,434,863	66,897,919	65,840,417	1,057,502
Physical environment	2,503,867	2,503,867	2,299,570	204,297
Economic environment	2,098,670	2,108,670	1,868,353	240,317
Human services	7,800,850	8,317,127	7,928,448	388,679
Culture and recreation	6,725,412	6,725,412	6,344,382	381,030
Judicial	4,440,105	6,706,312	10,734,475	(4,028,163)
Total expenditures	<u>126,853,541</u>	<u>133,650,083</u>	<u>124,611,965</u>	<u>9,038,118</u>
Excess (deficiency) of revenues over (under) expenditure	<u>(49,408,582)</u>	<u>(55,686,476)</u>	<u>(48,057,458)</u>	<u>7,629,018</u>
Other financing sources (uses)				
Transfers in	84,838,471	87,267,703	69,690,150	(17,577,553)
Transfers out	<u>(39,429,889)</u>	<u>(39,452,345)</u>	<u>(17,983,502)</u>	<u>21,468,843</u>
Total other financing sources (uses)	<u>45,408,582</u>	<u>47,815,358</u>	<u>51,706,648</u>	<u>3,891,290</u>
Net change in fund balances	(4,000,000)	(7,871,118)	3,649,190	11,520,308
Fund balances, October 1	<u>39,763,787</u>	<u>39,763,787</u>	<u>39,763,787</u>	<u>0</u>
Fund balances, September 30	<u>\$ 35,763,787</u>	<u>\$ 31,892,669</u>	<u>\$ 43,412,977</u>	<u>\$ 11,520,308</u>

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

Leon County, Florida

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

Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 67,533,125	\$ 67,533,125	\$ 67,860,491	\$ 327,366
Intergovernmental	21,945	21,945	19,191	(2,754)
Charges for services	907,900	907,900	896,344	(11,556)
Fines and forfeitures	117,249	117,249	189,457	72,208
Interest	76,000	76,000	186,573	110,573
Net increase (decrease) in fair value of investments	0	0	1,995	1,995
Total revenues	<u>68,656,219</u>	<u>68,656,219</u>	<u>69,154,051</u>	<u>497,832</u>
Expenditures				
Human services	100,000	110,641	100,330	10,311
Judicial	1,793,769	2,144,956	1,602,990	541,966
Total expenditures	<u>1,893,769</u>	<u>2,255,597</u>	<u>1,703,320</u>	<u>552,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,762,450</u>	<u>66,400,622</u>	<u>67,450,731</u>	<u>1,050,109</u>
Other financing sources (uses)				
Transfers in	0	0	539,817	539,817
Transfers out	(66,762,450)	(69,383,263)	(69,333,263)	50,000
Total other financing sources (uses)	<u>(66,762,450)</u>	<u>(69,383,263)</u>	<u>(68,793,446)</u>	<u>589,817</u>
Net change in fund balances	0	(2,982,641)	(1,342,715)	1,639,926
Fund balances, October 1	<u>3,183,316</u>	<u>3,183,316</u>	<u>3,183,316</u>	<u>0</u>
Fund balances, September 30	<u>\$ 3,183,316</u>	<u>\$ 200,675</u>	<u>\$ 1,840,601</u>	<u>\$ 1,639,926</u>

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

Leon County, Florida

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

Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 343,000	\$ 17,374,418	\$ 3,467,826	\$(13,906,592)
Charges for services	104,500	382,948	119,228	(263,720)
Interest	0	11,076	3,877	(7,199)
Net increase (decrease) in fair value of investments	0	0	7,390	7,390
Miscellaneous	0	1,350,771	382,728	(968,043)
Total revenues	<u>447,500</u>	<u>19,119,213</u>	<u>3,981,049</u>	<u>(15,138,164)</u>
Expenditures				
General government	0	750	0	750
Public safety	445,098	1,646,849	442,655	1,204,194
Physical environment	0	2,311,160	1,244,102	1,067,058
Transportation	0	12,782,643	2,008,744	10,773,899
Economic environment	0	967,730	44,355	923,375
Human services	30,000	201,403	137,188	64,215
Culture and recreation	15,000	2,413,119	142,436	2,270,683
Judicial	91,834	259,926	24,694	235,232
Total expenditures	<u>581,932</u>	<u>20,583,580</u>	<u>4,044,174</u>	<u>16,539,406</u>
Excess (deficiency) of revenue (under) over expenditures	<u>(134,432)</u>	<u>(1,464,367)</u>	<u>(63,125)</u>	<u>1,401,242</u>
Other financing sources (uses)				
Transfers in	255,587	280,291	145,859	(134,432)
Transfers out	<u>(121,155)</u>	<u>(121,155)</u>	<u>(121,155)</u>	<u>0</u>
Total other financing sources (uses)	<u>134,432</u>	<u>159,136</u>	<u>24,704</u>	<u>(134,432)</u>
Net change in fund balances	0	(1,305,231)	(38,421)	1,266,810
Fund balances, October 1	<u>1,557,911</u>	<u>1,557,911</u>	<u>1,557,911</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,557,911</u>	<u>\$ 252,680</u>	<u>\$ 1,519,490</u>	<u>\$ 1,266,810</u>

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

Leon County, Florida

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

Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 6,878,610	\$ 7,451,328	\$ 7,161,671	\$ (289,657)
Interest	0	0	26,020	26,020
Net increase (decrease) in fair value of investments	0	0	4,899	4,899
Total revenues	<u>6,878,610</u>	<u>7,451,328</u>	<u>7,192,590</u>	<u>(258,738)</u>
Expenditures				
Public safety	<u>6,845,249</u>	<u>7,417,535</u>	<u>6,891,327</u>	<u>526,208</u>
Total Expenditures	<u>6,845,249</u>	<u>7,417,535</u>	<u>6,891,327</u>	<u>526,208</u>
Excess of revenues over expenditures	33,361	33,793	301,263	267,470
Other financing sources (uses)				
Transfers out	<u>(33,361)</u>	<u>(33,793)</u>	<u>(33,793)</u>	<u>0</u>
Total other financing sources (uses)	<u>(33,361)</u>	<u>(33,793)</u>	<u>(33,793)</u>	<u>0</u>
Net change in fund balances	0	0	267,470	267,470
Fund balances, October 1	<u>861,254</u>	<u>861,254</u>	<u>861,254</u>	<u>0</u>
Fund balances, September 30	<u>\$ 861,254</u>	<u>\$ 861,254</u>	<u>\$ 1,128,724</u>	<u>\$ 267,470</u>

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

Leon County, Florida

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

Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 76,917	\$ 76,917	\$ 45,311	\$ (31,606)
Miscellaneous	236,990	236,990	272,225	35,235
Total revenues	<u>313,907</u>	<u>313,907</u>	<u>317,536</u>	<u>3,629</u>
Expenditures				
Public safety	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>313,907</u>	<u>313,907</u>	<u>317,536</u>	<u>3,629</u>
Other financing sources (uses)				
Transfers out	<u>(313,907)</u>	<u>(313,907)</u>	<u>(313,907)</u>	<u>0</u>
Total other financing sources (uses)	<u>(313,907)</u>	<u>(313,907)</u>	<u>(313,907)</u>	<u>0</u>
Net change in fund balances	0	0	3,629	3,629
Fund balances, October 1	<u>260,427</u>	<u>260,427</u>	<u>260,427</u>	<u>0</u>
Fund balances, September 30	<u>\$ 260,427</u>	<u>\$ 260,427</u>	<u>\$ 264,056</u>	<u>\$ 3,629</u>

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

Leon County, Florida
Statement of Net Position
Proprietary Funds

September 30, 2015

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash	\$ 1,708	\$ 756,740
Cash with fiscal agent	0	67,006
Investments	8,270,604	5,295,257
Receivables:		
Accounts	790,688	184,604
Intergovernmental	0	20,153
Due from other funds	0	4,797
Inventory	3,762	44,336
Total current assets	9,066,762	6,372,893
Noncurrent assets:		
Restricted cash and investments	7,669,889	0
Capital assets:		
Land nondepreciable	1,809,844	0
Depreciable (net)	10,970,098	0
Total noncurrent assets	20,449,831	0
Total assets	29,516,593	6,372,893
Liabilities		
Current liabilities:		
Accounts payable	136,571	164,990
Accrued liabilities	128,962	61,578
Due to other funds	0	72,222
Compensated absences	51,345	335,378
Unearned revenues	589	0
Advances from other funds	0	3,679,762
Total current liabilities	317,467	4,313,930
Noncurrent liabilities:		
Compensated absences	121,200	351,896
Liability for closure costs/maintenance	10,977,531	0
Total noncurrent liabilities	11,098,731	351,896
Total liabilities	11,416,198	4,665,826
Net position		
Investment in capital assets	12,779,942	0
Unrestricted	5,320,453	1,707,067
Total net position	18,100,395	\$ 1,707,067
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
	435,012	
Net position of business-type activities	\$ 18,535,407	

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

Leon County, Florida

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

Year Ended September 30, 2015

	Business-type Activities- Landfill Fund	Governmental Activities- Internal Service Funds
Operating revenues		
Charges for services	\$ 7,122,426	\$ 6,745,030
Total operating revenues	<u>7,122,426</u>	<u>6,745,030</u>
Operating expenses		
Personnel services	1,950,521	784,774
Contractual services	5,252,183	87,255
Supplies	261,654	1,092,956
Communications services	25,738	458,135
Insurance	55,096	3,735,226
Utility services	205,683	22,829
Depreciation	968,435	0
Other services and charges	117,322	867,209
Total operating expenses	<u>8,836,632</u>	<u>7,048,384</u>
Operating income (loss)	<u>(1,714,206)</u>	<u>(303,354)</u>
Nonoperating revenues		
Taxes	1,717,447	0
Interest	204,109	51,977
Net increase (decrease) in fair value of investments	(19,347)	9,523
Miscellaneous	85,006	0
Total nonoperating revenues	<u>1,987,215</u>	<u>61,500</u>
Income (loss) before transfers	273,009	(241,854)
Transfers in	466,822	0
Transfers out	<u>(57,678)</u>	<u>0</u>
* Change in net position	682,153	(241,854)
Net position, October 1	<u>17,418,242</u>	<u>1,948,921</u>
Net position, September 30	<u>\$ 18,100,395</u>	<u>\$ 1,707,067</u>

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

(13,699)
\$ 668,454

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

Leon County, Florida

Statement of Cash Flows
Proprietary Funds

Year Ended September 30, 2015

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 6,664,004	\$ 299,664
Payments to suppliers	(6,128,859)	(3,208,246)
Payments to employees	(1,951,763)	(664,299)
Claims paid	0	(2,069,910)
Payment for interfund services	(55,096)	6,450,378
Net cash (used in) provided by operating activities	<u>(1,471,714)</u>	<u>807,587</u>
Cash flows from noncapital financing activities		
Tax proceeds	1,717,447	0
Transfers from other funds	466,822	0
Transfers to other funds	(57,678)	0
Net cash provided by noncapital financing activities	<u>2,126,591</u>	<u>0</u>
Cash flows from capital and related financing activities		
Sale of property	312,883	0
Acquisition and/or construction of capital assets	(1,186,146)	0
Net cash used in capital and related financing activities	<u>(873,263)</u>	<u>0</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	4,252,516	2,082,356
Purchases of investments	(4,195,317)	(2,848,245)
Interest and dividends received	198,870	48,053
Net increase (decrease) in fair value of investments	(37,540)	(2,113)
Net cash provided by (used in) investing activities	<u>218,529</u>	<u>(719,949)</u>
Net increase in cash	143	87,638
Cash and equivalents, October 1	1,565	736,108
Cash and equivalents, September 30	<u>\$ 1,708</u>	<u>\$ 823,746</u>

(continued)

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

Leon County, Florida

Statement of Cash Flows (Continued)
Proprietary Funds

Year Ended September 30, 2015

	<u>Business-type Activities - Landfill Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
Reconciliation of operating (loss) income to net cash (used in) provided operating activities		
Operating (loss) income	\$ (1,714,206)	\$ (303,354)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation expense	922,507	0
Change in assets and liabilities:		
Receivables	323,036	37,583
Due from other funds	0	1,655
Inventories	2,748	40,779
Accounts payable	(223,099)	944,675
Accrued expenses	(1,242)	86,249
Other current liabilities	0	0
Unearned revenues	294	0
Estimated liability for closure	<u>(781,752)</u>	<u>0</u>
Net cash (used in) provided by operating activities	<u>\$ (1,471,714)</u>	<u>\$ 807,587</u>

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

Leon County, Florida

Statement of Fiduciary Net Position
Agency Funds

September 30, 2015

	Total Agency Funds
Assets	
Cash	\$ 7,860,452
Accounts receivable	1,146,389
Intergovernmental receivables	41,241
Total assets	<u>\$ 9,048,082</u>
Liabilities	
Accounts payable	\$ 2,271,195
Intergovernmental payables	1,684,052
Deposits	3,238,511
Installment tax deposits	1,854,324
Total liabilities	<u>\$ 9,048,082</u>

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

LEON COUNTY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A.	Reporting Entity.....	34
B.	Measurement Focus and Basis of Accounting.....	37
C.	Basis of Presentation	40
D.	Assets, Liabilities, and Net Position	42
II.	RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS	
A.	Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position.....	48
B.	Explanation of Differences Between the Governmental Fund Operating Statements and the Government-wide Statement of Activities	52
III.	STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A.	Budgets and Budgetary Accounting.....	56
IV.	CASH AND INVESTMENTS	58
V.	PROPERTY TAXES	63
VI.	CAPITAL ASSETS	
A.	Capital Asset Activity.....	65
B.	Depreciation Expense	66
VII.	INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS	
A.	Interfund Balances	67
B.	Interfund Transfers	68
VIII.	LONG-TERM OBLIGATIONS	
A.	Long-term Obligations.....	69
B.	A Schedule of Debt Service Requirements.....	71
C.	Advances and Current Refundings	71
D.	A summary of changes in the long-term debt of the County	72
E.	Purchase Cards.....	73
F.	Special Assessment Debt.....	73
G.	Demand Bonds.....	73
H.	Discretely presented Component Unit – Housing Finance Authority of Leon County.....	73
I.	Conduit Debt Obligations	74
J.	Debt Parity.....	74
IX.	CLOSURE AND POST CLOSURE CARE COST	75
X.	EMPLOYEE BENEFITS	
A.	Florida Retirement System	76
B.	Deferred Compensation Plan	87
C.	Liability for Compensated Absences.....	87
D.	Executive Service Plan	87
E.	Post Employment Benefits Other Than Pension Benefits	87

XI.	RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES	
	A. General Liability	90
	B. Workers Compensation.....	90
	C. Automobile Liability	91
	D. Professional Liability.....	92
	E. Excess Insurance.....	92
XII.	SEGMENT INFORMATION – ENTERPRISE FUNDS.....	92
XIII.	OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES	
	A. Excess of Expenditures over Appropriations.....	92
	B. Excess of Expenditures Over Revenue in the Budget Column.....	92
	C. Deficit Fund Balances.....	93
	D. Minimum Fund Balance Policy	93
	E. Fund Balance	94
XIV.	COMMITMENTS AND CONTINGENCIES	
	A. Contract Commitments	95
	B. Potential Liabilities Resulting from Litigation	99
	C. Subsequent Events	100
XV.	CHANGE IN ACCOUNTING PRINCIPLE	100
XVI.	PRIOR PERIOD ADJUSTMENT	100

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Component Units

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

Specific criteria used to determine financial accountability are:

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Component Units (continued)

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

Financial statements of component units would be included in the financial reporting entity either as a blended component unit or as a discretely presented component unit in accordance with governmental accounting standards. At September 30, 2015, the only component unit of the County is The Housing Finance Authority of Leon County (the Authority) and is presented in a separate column on the County's financial statements.

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

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

Excluded from the Reporting Entity:

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Excluded from the Reporting Entity: (continued)

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

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

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

Consolidated Dispatch Agency

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

The governing body of the CDA consists of the City of Tallahassee City Manager, the Leon County Administrator and the Leon County Sheriff, hereinafter called the Council. The City and Sheriff shall fund the CDA budget proportionately based upon the per capita population within the corporate limits of the City of Tallahassee for the city, and the per capita population within the unincorporated area of Leon County for the Sheriff, and a service cost allocation shall be included in the CDA's annual budget.

Capital Regional Transportation Planning Agency

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Capital Regional Transportation Planning Agency (continued)

The governing board consists of voting representatives from the Counties of Leon, Gadsden, Jefferson, and Wakulla; the Cities of Midway, Quincy, Tallahassee, Chattahoochee and Gretna; the Towns of Greensboro and Havana, the Leon County School Board, and three nonvoting representatives from the Florida Department of Transportation, the Federal Highway Administration, and StarMetro.

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

Leon County-City of Tallahassee Blueprint 2000 Intergovernmental Agency

In October 2000, Leon County entered into an interlocal agreement with the City of Tallahassee as authorized by Section 163.01(7) *Florida Statutes*. This agreement created the Blueprint 2000 Intergovernmental Agency to govern the project management for the project planning and construction of a list of projects known as the Blueprint 2000 projects. The Board of County Commissioners and the City Commission constitute the Blueprint 2000 Intergovernmental Agency. The revenues to fund the projects under this agreement are the collections of the local government infrastructure sales surtax, which began December 1, 2004. This tax was extended pursuant to the provisions in Section 212.055, *Florida Statutes*, until December 31, 2019.

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

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

B. Measurement Focus and Basis of Accounting

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

- Government-wide financial statements
- Fund financial statements

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

- Notes to the financial statements

Government-wide Financial Statements

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

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

Proprietary Funds

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

Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. For the enterprise funds, as permitted by GASB Statement No. 20, the County has elected not to apply all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or after November 30, 1989.

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

C. Basis of Presentation

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

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Governmental Major Funds:

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

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

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

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

Fire Rescue Services — This fund was established to fund enhanced fire protection services in the unincorporated area of Leon County. The revenue source is derived from a fire service fee levied on single-family, commercial, and governmental properties in the unincorporated area of the county. It also assists with funding for volunteer fire departments. By interlocal agreement, the fire rescue and emergency management services are functionally consolidated under the city and county.

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

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

Proprietary Major Fund:

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

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

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Other Fund Types:

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

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

Noncurrent Governmental Assets/Liabilities

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

D. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Investments

Investments for the County are reported at fair value, in accordance with GASB Statement No. 31. In addition to reporting investments at fair value, the County is reporting investments in accordance with the requirements of GASB Statement No. 40.

Receivables and Payables

Receivables are shown net of an allowance for uncollectibles. The emergency medical services allowance is equal to 67% of outstanding gross charges at September 30, 2015.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. Infrastructure assets are defined as public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the government unit. All qualified infrastructure assets have been capitalized and included in the September 30, 2015 financial statements. Capital assets are reported in the government-wide financial statements in the applicable governmental or business-type activities column, as well as the proprietary fund financial statements. Capital assets are defined by Section 274.02, *Florida Statutes*, to include items of a nonconsumable nature with a value of at least \$1,000 and a life of one year or more. The County maintains an administrative record of these assets. However, for reporting purposes, the threshold for capitalizing property, plant, and equipment is \$20,000, buildings \$50,000 and infrastructure is \$100,000. Capital assets are recorded at cost or estimated historical cost. Contributed assets are recorded at estimated fair market value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The ranges of useful lives are as follows:

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

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

Capitalization of Interest

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

Unearned Revenues

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

Landfill Closure Costs

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Landfill Closure Costs (continued)

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

Accrued Compensated Absences

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

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

Net Obligation for Pension Benefits

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

Net Obligation for Other Postemployment Benefits

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Obligation for Bond Arbitrage Rebate

Pursuant to Section 148(f) of the U.S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. The County uses the “revenue reduction” approach in accounting for rebatable arbitrage, which treats excess earnings as a reduction of revenue. The County has recorded an arbitrage liability outstanding as of September 30, 2015.

Due to/from Other Funds

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

Net Position/Fund Balances

Net Position is the difference between fund assets and liabilities on the government-wide, proprietary, and fiduciary fund statements. Fund Balances is the difference between assets and liabilities on the governmental fund statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt resulting from the acquisition, construction, or improvement of the assets. Restricted Net Position is the portion of the net position that is constrained externally by parties such as creditors, by grantors, legally through constitutional provisions, or by some type of enabling legislation. Restricted Net Position is calculated at the fund level.

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

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position/Fund Balances (continued)

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

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

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

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

Reserves/Designations of Net Position

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

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

“Total fund balances” of the County’s governmental funds of \$129,954,638 differs from “net position” of governmental activities of \$293,838,564 reported in the Statement of Net position. This difference results primarily from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheet.

Capital Related Items

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

Cost of capital assets	\$ 646,246,435
Accumulated depreciation	(333,345,201)
Net capital assets added	<u>\$ 312,901,234</u>

Long-term Debt Transactions

Long-term liabilities applicable to the County’s governmental activities are not due and payable in the current period and accordingly are not reported as current fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2015 were:

Capital Improvement Revenue Refunding Bonds Series 2015	\$ 13,692,000
Capital Improvement Revenue Bonds, Series 2012A	8,267,000
Taxable Capital Improvement Revenue Bonds, Series 2012B	12,517,000
Capital Improvement Revenue Refunding Bonds, Series 2014	16,077,000
Unamortized bond premiums	473,902
Deferred outflow of difference between carry value of old and new debt	(485,500)
Deferral for retirement contributions	(35,262,750)
Note payable	1,274,188
Liability for compensated absences	14,542,253
Net pension liability	77,180,952
Other postemployment benefits	7,000,105
Arbitrage rebate liability	25,000
Deferral for payments to retirees	34,988,213
	<u>\$ 150,289,363</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

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

Internal Service Funds

Management uses internal service funds to charge the cost of fleet management and insurance activities to the individual funds benefited, as well as to report the funded and accrued compensated absences for the Clerk only. Because internal service funds primarily serve governmental activities of the County, the assets and liabilities of those funds are included in the governmental activities for government-wide reporting purposes. The total amount of internal service fund assets, net of liabilities, included with governmental activities on the September 30, 2015, Statement of Net Position is \$1,272,055.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

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

	<u>Total Governmental Funds</u>	<u>Capital Related Items</u>	<u>Long-term Debt Transactions</u>
Assets and Deferred Outflows			
Assets:			
Equity in pooled cash and equivalents	\$ 29,641,259	\$ 0	\$ 0
Investments	107,781,815	0	0
Receivables (net)	11,845,830	0	0
Due from other funds	1,481,632	0	0
Inventories	632,805	0	0
Other assets	54,727	0	0
Capital assets (net)	0	312,901,234	0
Total assets	<u>151,438,068</u>	<u>312,901,234</u>	<u>0</u>
Deferred Outflows:			
Loss deferral for difference between old and new debt	0	0	485,500
Deferral for retirement contributions	0	0	35,262,750
Total deferred outflows	<u>0</u>	<u>0</u>	<u>35,748,250</u>
Total assets and deferred outflows	<u>151,438,068</u>	<u>312,901,234</u>	<u>35,748,250</u>
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable	\$ 6,153,656	\$ 0	\$ 0
Accrued liabilities	4,430,986	0	0
Intergovernmental payables	2,317,048	0	0
Internal balance	0	0	0
Estimated liability for self-insurance loss	0	0	0
Due to other funds	1,414,207	0	0
Deposits	636,004	0	0
Arbitrage rebate	0	0	25,000
Unearned revenue	6,531,529	0	0
Unamortized premium on bonds payable	0	0	473,902
Net pension liability	0	0	77,180,952
Other postemployment benefits	0	0	7,000,105
Accrued compensated balances	0	0	14,542,253
Bond and notes payable (net)	0	0	51,827,188
Total liabilities	<u>21,483,430</u>	<u>0</u>	<u>151,049,400</u>
Deferred Inflows:			
Deferral for payments to retirees	0	0	34,988,213
Total deferred inflows	<u>0</u>	<u>0</u>	<u>34,988,213</u>
Fund balance/net position	<u>129,954,638</u>	<u>312,901,234</u>	<u>(150,289,363)</u>
Total liabilities, deferred inflows, and fund balances/net position	<u>\$ 151,438,068</u>	<u>\$ 312,901,234</u>	<u>\$ 35,748,250</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

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

Internal Service Funds	Reclassifications & Eliminations	Statement of Net Position
\$ 823,746	\$ 0	\$ 30,465,005
5,295,257	0	113,077,072
204,757	0	12,050,587
4,797	(1,486,429)	0
44,336	0	677,141
0	0	54,727
0	0	312,901,234
<u>6,372,893</u>	<u>(1,486,429)</u>	<u>469,225,766</u>
0	0	485,500
<u>0</u>	<u>0</u>	<u>35,262,750</u>
<u>0</u>	<u>0</u>	<u>35,748,250</u>
<u>6,372,893</u>	<u>(1,486,429)</u>	<u>504,974,016</u>
\$ 164,992	\$ 4,443,825	\$ 10,762,473
12,839	(4,443,825)	0
0	0	2,317,048
435,012	0	435,012
3,679,762	0	3,679,762
72,222	(1,486,429)	0
0	0	636,004
0	0	25,000
0	0	6,531,529
0	0	473,902
0	0	77,180,952
48,739	0	7,048,844
687,272	0	15,229,525
0	0	51,827,188
<u>5,100,838</u>	<u>(1,486,429)</u>	<u>176,147,239</u>
<u>0</u>	<u>0</u>	<u>34,988,213</u>
<u>0</u>	<u>0</u>	<u>34,988,213</u>
<u>1,272,055</u>	<u>0</u>	<u>293,838,564</u>
<u>\$ 6,372,893</u>	<u>\$ (1,486,429)</u>	<u>\$ 504,974,016</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

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

The “net change in fund balances” for governmental funds of (\$9,178,555) differs from the “change in net position” for governmental activities of \$(12,863,003), reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities, versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Related Items

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

Capital outlay	\$ 10,637,634
Depreciation expense	<u>(20,321,837)</u>
Net	<u>\$ (9,684,203)</u>

Long-term Debt Transactions

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

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

Bond proceeds	\$ (13,692,000)
Principal payments	<u>20,788,605</u>
Net	<u>\$ 7,096,605</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

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

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

Amortization of current year bond discount/premium	\$ 47,390
Amortization of current year deferred outflow on refunding	(242,750)
Net increase in compensated absences	(879,814)
Net change in net pension liability	(679,247)
Net increase in other postemployment benefits	786,699
	<u>\$ (967,722)</u>

Internal Service Funds Aggregate Loss

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

Internal service funds aggregate gain on governmental activities	<u>\$ 129,128</u>
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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Compensated Absences
Revenues				
Taxes	\$ 148,155,690	\$ 0	\$ 0	\$ 0
Licenses and permits	2,217,507	0	0	0
Intergovernmental	30,784,150	0	0	0
Charges for services	34,880,245	0	0	0
Fines and forfeitures	687,954	0	0	0
Interest	1,680,247	0	0	0
Net increase (decrease) in fair value of investments	178,875	0	0	0
Miscellaneous	4,327,783	0	0	0
Total revenues	<u>222,912,451</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
General government	35,386,297	1,813,170	0	(298,224)
Public safety	100,897,914	(608,315)	0	(460,392)
Physical environment	12,796,110	4,270,127	0	(21,646)
Transportation	22,942,287	4,119,017	0	(40,400)
Economic environment	5,449,330	0	0	17,020
Human services	9,677,898	184,984	0	2,092
Culture and recreation	15,635,773	(94,780)	0	17,452
Judicial	20,036,508	0	0	(2,601)
Debt service				
Principal retirement	706,605	0	(706,605)	0
Interest and fiscal charges	1,376,864	0	581,636	0
Total expenditures	<u>224,905,586</u>	<u>9,684,203</u>	<u>(124,969)</u>	<u>(786,699)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,993,135)</u>	<u>(9,684,203)</u>	<u>124,969</u>	<u>786,699</u>
Other financing sources (uses)				
Transfers in	94,865,283	0	0	0
Refunding bonds issued	13,692,000	0	(13,692,000)	0
Transfers out	(95,274,427)	0	0	0
Payment to refunding bond escrow agent	(20,468,276)	0	20,468,276	0
Total other financing sources (uses)	<u>(7,185,420)</u>	<u>0</u>	<u>6,776,276</u>	<u>0</u>
Net change in fund balance	<u>(9,178,555)</u>	<u>(9,684,203)</u>	<u>6,901,245</u>	<u>786,699</u>
Fund balances, October 1	<u>139,133,193</u>			
Fund balances, September 30	<u>\$ 129,954,638</u>			

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

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

Net Pension Liability	Other Postemployment Benefits	Internal Service Funds	Reclassifications and Eliminations	Statement of Activities
\$ 0	\$ 0	\$ 0	\$ 0	\$ 148,155,690
0	0	0	(2,217,507)	0
0	0	0	0	30,784,150
0	0	0	2,905,461	37,785,706
0	0	0	(687,954)	0
0	0	50,899	188,398	1,919,544
0	0	9,523	(188,398)	0
0	0	0	0	4,327,783
<u>0</u>	<u>0</u>	<u>60,422</u>	<u>0</u>	<u>222,972,873</u>
193,272	229,216	(24,205)	0	37,299,526
249,876	397,102	196,432	0	100,672,617
74,244	54,649	(982)	0	17,172,502
68,962	58,005	17,837	0	27,165,708
13,248	9,376	69	0	5,489,043
12,066	9,185	4,676	0	9,890,901
64,594	55,705	(292)	0	15,678,452
2,985	66,576	(3,985)	0	20,099,483
0	0	0	0	0
0	0	0	0	1,958,500
<u>679,247</u>	<u>879,814</u>	<u>189,550</u>	<u>0</u>	<u>235,426,732</u>
<u>(679,247)</u>	<u>(879,814)</u>	<u>(129,128)</u>	<u>0</u>	<u>(12,453,859)</u>
0	0	0	0	94,865,283
0	0	0	0	0
0	0	0	0	(95,274,427)
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(409,144)</u>
<u>(679,247)</u>	<u>(879,814)</u>	<u>(129,128)</u>	<u>0</u>	<u>(12,863,003)</u>
				<u>306,701,567</u>
				<u>\$ 293,838,564</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

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

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

A. Budgets and Budgetary Accounting (continued)

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note IV. CASH AND INVESTMENTS

As of September 30, 2015, the value of the County's deposits and investments, with their respective credit ratings, was as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Deposits in Qualified Public Depositories	\$ 38,327,165	NA	NA
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	39,083,925	A+f	2.51
Florida Local Government Investment Trust Government Fund (FLGIT)	10,021,740	AAAf	1.42
Florida Municipal Investment Trust (FMIvT) 1-3 Year High Quality Bond Fund	55,706	AAA/V2	1.34
Florida PRIME Investment Pool	610,168	AAAm	0.08
Florida Safe Investment Pool	1,165,445	AAAm	N/A
Externally Managed Portfolio:			
Money Market	143,824	AAA	N/A
U.S. Treasuries	29,202,207	AA+	1.76
Government Sponsored Agencies:			
Federal Home Loan Mortgage Corp	4,315,996	AA+	1.29
Other Government Sponsored Agencies	7,706,610	AA+	2.06
Collateralized Mortgage Obligations	3,576,618	AA+	1.63
MBS	5,534,130	AA+	1.68
Corporate Bonds	10,749,034	A	1.49
Corporate Bonds	4,646,886	A-	1.14
Corporate Bonds	3,983,981	AA	0.61
Municipal Bonds	1,918,213	AA	1.67
Asset-backed Securities	6,528,643	AAA	1.11
Total Cash and Investments	<u>\$ 167,570,291</u>		

The County's deposits and investments include \$233,687 accrued interest as of September 30, 2015.

Credit Risk

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note IV. CASH AND INVESTMENTS (continued)

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

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

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

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note IV. CASH AND INVESTMENTS (continued)

The Chief Financial Officer for the State of Florida (formerly the State Treasurer) has been investing state revenues, excess revenues of state universities and community colleges, and certain other public agencies in a commingled investment portfolio for several years. This program is authorized under Section 17.61(1), *Florida Statutes* and is called the Treasury Special Purpose Investment Account (SPIA). Historically, SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality. The financial details and disclosures for the Treasury Investment Pool are made in Note 2 to the State of Florida Comprehensive Annual Financial Report (CAFR). The rating as of September 30, 2015 was A+f. A copy of SPIA's most recent financial statements can be found at http://www.fltreasury.org/fs_01.html. Investments in this pool are limited to a maximum of 50% of the portfolio. At September 30, 2015, the County had \$39,083,925 with SPIA.

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Comptrollers, and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At year end, the FLGIT was invested in money markets, treasury notes, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AA+ by Standard & Poor's. A copy of FLGIT's most recent financial statements can be found at <http://www.floridatrusionline.com/>. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2015, the County had \$10,021,740 with FLGIT.

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

The portfolio is managed by Atlanta Capital Management and maintains a AAA/V2 rating from Fitch. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2015, the County had \$55,706 invested with FMIvT, 1 to 3 Year High Quality Bond Fund.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note IV. CASH AND INVESTMENTS (continued)

The County also invests in Florida PRIME administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2015, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAM by Standard and Poors. The weighted average of days to maturity of the Florida PRIME at September 30, 2015 is 81.5 days. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2015, the County had \$610,168 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>.

The County also invests in the Florida Surplus Asset Fund Trust (FLSAFE), a local government investment pool governed by Section 218.415, *Florida Statutes*, that provides for pooling of Florida's local government funds. FLSAFE is an external investment pool that is not a registrant with the SEC; however, the FLSAFE has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. FLSAFE is managed by Davidson Fixed Income Management, Inc. (DFIM), a registered investment advisor, and the trust's investments are held in custody by U.S. Bank. Oversight for the pool is provided by a Board of Trustees consisting of members who represent participating local government entities. The trust invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly-rated commercial paper, money market funds, and deposits held in qualified public depositories. The current rating for the FLSAFE is AAAM by Standard and Poors. The weighted average days to maturity of the FLSAFE at September 30, 2015, is 46 days. Investments in the FLSAFE are not evidenced by securities that exist in physical or book entry form. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2015, the County had \$1,165,445 invested with the FLSAFE. A copy of FLSAFE's most recent financial statements can be found at: http://www.flSAFE.org/financial_statements.aspx.

Custodial Credit Risk

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note IV. CASH AND INVESTMENTS (continued)

Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. The County's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2015, were \$42,021,654. 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 \$78,306,142 at September 30, 2015, and was invested for a weighted average term of 1,210 days, as compared to a weighted average term of 1,405 days in fiscal year 2014. In accordance with its investment policy, the County requires a minimum balance of short-term investments. The portfolio shall maintain in liquid investments (defined as repurchase agreements purchased under the terms of the County's depository contract, open repurchase agreements, negotiable certificates of deposit, banker's acceptance, commercial paper, U. S. Treasury direct and agency obligations, money market funds, all having a maturity of 90 days or less, and the Treasury Special Purpose Investment Account) a minimum balance equal to one-twelfth of the then-current fiscal year's budgeted operating expenditures. The County was in compliance with this requirement.

Foreign Currency Risk

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note V. PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal, special taxing districts, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of Florida regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit counties to levy property taxes at a rate of up to 10 mills. The tax levy of Leon County is established by the County prior to October 1 of each year. The millage rate collected by the County during the current fiscal year was 8.314 mills. County citizens were also assessed for Emergency Medical Services (EMS) and primary health care services through Municipal Services Taxing Units at a millage rate of 0.5000 mills. For County citizens charged a special assessment, the required annual payment is also included on their tax bill.

Amendment 1 to the Florida Constitution became effective on October 1, 2008, with the exception of the ten percent (10%) cap on non-homestead property, which became effective on January 1, 2009. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by an additional \$25,000 (for values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase in homestead exemption, resulting in an estimated savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

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

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

All taxes are due and payable on November 1st of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. No accrual for the property tax levy becoming due in November 2015 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note V. PROPERTY TAXES (continued)

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, 2015.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note VI. CAPITAL ASSETS

A. Capital asset activity for the year ended September 30, 2015 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital not being depreciated:				
Land	\$ 20,891,310	\$ 0	\$ 0	\$ 20,891,310
Improvements other than buildings	21,510,496	1,892,179	(649,902)	22,752,773
Construction/Purchase in progress	9,647,204	8,209,480	(2,236,987)	15,619,697
Total not being depreciated	<u>52,049,010</u>	<u>10,101,659</u>	<u>(2,886,889)</u>	<u>59,263,780</u>
Capital assets being depreciated:				
Buildings	221,151,362	419,956	0	221,571,318
Equipment	51,555,007	4,092,459	(3,318,387)	52,329,079
Library collection	3,251,160	648,295	(588,173)	3,311,282
Infrastructure	312,352,694	3,509,921	(6,091,639)	309,770,976
Total being depreciated	<u>588,310,223</u>	<u>8,670,631</u>	<u>(9,998,199)</u>	<u>586,982,655</u>
Less accumulated depreciation:				
Buildings	(89,368,475)	(6,777,870)	0	(96,146,345)
Equipment	(28,965,489)	(3,593,821)	1,555,038	(31,004,272)
Library collection	(1,925,624)	(659,233)	588,173	(1,996,684)
Infrastructure	(197,514,208)	(9,290,913)	2,607,221	(204,197,900)
Total accumulated depreciation	<u>(317,773,796)</u>	<u>(20,321,837)</u>	<u>4,750,432</u>	<u>(333,345,201)</u>
Total being depreciated, net	<u>270,536,427</u>	<u>(11,651,206)</u>	<u>(5,247,767)</u>	<u>253,637,454</u>
Governmental activities capital assets, net	<u>\$ 322,585,437</u>	<u>\$ (1,549,547)</u>	<u>\$ (8,134,656)</u>	<u>\$ 312,901,234</u>
Business-type activities:				
Capital not being depreciated:				
Land	\$ 1,809,844	\$ 0	\$ 0	\$ 1,809,844
Total not being depreciated	<u>1,809,844</u>	<u>0</u>	<u>0</u>	<u>1,809,844</u>
Capital assets being depreciated:				
Buildings	20,534,898	694,942	0	21,229,840
Equipment	5,491,521	491,204	(512,208)	5,470,517
Total being depreciated	<u>26,026,419</u>	<u>1,186,146</u>	<u>(512,208)</u>	<u>26,700,357</u>
Less accumulated depreciation:				
Buildings	(12,078,603)	(609,538)	0	(12,688,141)
Equipment	(3,097,088)	(358,897)	413,867	(3,042,118)
Total accumulated depreciation	<u>(15,175,691)</u>	<u>(968,435)</u>	<u>413,867</u>	<u>(15,730,259)</u>
Total being depreciated, net	<u>10,850,728</u>	<u>217,711</u>	<u>(98,341)</u>	<u>10,970,098</u>
Business-type activities capital assets, net	<u>\$ 12,660,572</u>	<u>\$ 217,711</u>	<u>\$ (98,341)</u>	<u>\$ 12,779,942</u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2015

Note VI. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 5,605,226
Public safety	1,815,171
Physical environment	574,217
Transportation	9,635,027
Human services	184,984
Culture and recreation	<u>2,507,212</u>
Total depreciation expense - governmental activities	<u><u>\$20,321,837</u></u>

Business-type activities:

Landfill	<u>\$ 968,435</u>
Total depreciation expense - business-type activities	<u><u>\$ 968,435</u></u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note VII. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Balances as of September 30, 2015, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government:		
By Major Fund:		
General	\$ 576,578	\$ 907,358
Fine & Forfeiture	569,132	0
Grants	0	37,929
Total Major Funds	<u>1,145,710</u>	<u>945,287</u>
Nonmajor Special Revenue Funds:		
Drug Abuse Trust Fund	0	1,965
911 Emergency Communications	335,051	0
Radio Communications Systems	0	22,876
Special Grants Fund	97	103,860
Emergency Management 911 Fees	0	336,565
Emergency Management Grant	0	726
Inmate Welfare Fund	774	2,928
Total Nonmajor Special Revenue Funds	<u>335,922</u>	<u>468,920</u>
Total Governmental Funds	<u>1,481,632</u>	<u>1,414,207</u>
Proprietary Funds:		
Communications Trust	0	72,222
Motor Pool	4,797	0
Total Proprietary Funds	<u>4,797</u>	<u>72,222</u>
Total Primary Government	<u>1,486,429</u>	<u>1,486,429</u>
Total Primary Government & Component Unit	<u>\$ 1,486,429</u>	<u>\$ 1,486,429</u>

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

B. Interfund Transfers represent the movement of cash for operations in funds and constitutional officers. At year end, the balances for the year ended September 30, 2015, consisted of the following:

Transfers to the General Fund from:	
Fine & Forfeiture Fund	\$ 69,112,450
Fire Rescue Services Fund	33,793
Special Assessment Paving Fund	313,907
Nonmajor Governmental Funds	172,322
Enterprise Fund	57,678
Total Transfers to the General Fund	<u>69,690,150</u>
Transfers to the Fine & Forfeiture Fund from:	
General Fund	<u>539,817</u>
Transfers to the Grants Fund from:	
General Fund	121,155
Nonmajor Governmental Funds	24,704
Total Transfers to Grants Fund	<u>145,859</u>
Transfers to the Capital Improvement Fund from:	
General Fund	1,033,500
Nonmajor Governmental Funds	74,334
Total Transfers to the Capital Improvement Fund	<u>1,107,834</u>
Transfers to the Nonmajor Funds from:	
General Fund	15,822,208
Fine & Forfeiture Fund	220,813
Grants Fund	121,155
Capital Improvement Fund	21,830
Nonmajor Governmental Funds	7,195,617
Total Transfers to the Nonmajor Funds	<u>23,381,623</u>
Total Transfers to the Governmental Funds	<u>94,865,283</u>
Transfers to the Enterprise Fund from:	
General Fund	<u>466,822</u>
Total Transfers to Enterprise Funds	<u>466,822</u>
Total Interfund Transfers	<u>\$ 95,332,105</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note VIII. LONG-TERM OBLIGATIONS

A. Long-term Obligations

The County has no general long-term obligations debt. The County's long-term obligations, excluding accrued compensated absences, at September 30, 2015, are comprised of the following:

**Outstanding at
September 30, 2015**

Revenue Bonds:

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

\$ 13,692,000

\$8,267,000, Capital Improvement Revenue Bonds, Series 2012A, (i) to refund the County's Capital Improvement Revenue Bonds, Series 2003A of which \$7,965,000 was outstanding and maturing in the years 2018 through 2020, and (ii) to pay a portion of the costs of the acquisition of the Bank of America Building, and (iii) the construction of improvements to the Bank of America Building, and (iv) to finance improvements to the County's courthouse and parking garage. The economic gain resulting from the refunding was \$1,279,488. The bonds dated December 20, 2012, bear interest of 1.65% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2013. The bond principal matures serially on October 1 of each year for two years beginning October 1, 2019.

8,267,000

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note VIII. LONG-TERM OBLIGATIONS (continued)

**Outstanding at
September 30, 2015**

Revenue Bonds:

\$12,956,000, Taxable Capital Improvement Revenue Bonds, Series 2012B, to, (i) refund the Capital Improvement Revenue Bonds, Series 2003B of which \$12,465,000 was currently outstanding and maturing in the years 2018 through 2019, and (ii) pay a portion of the costs of the acquisition of the Bank of America Building, and (iii) pay capitalized interest and issuance costs on the Series 2012B bonds, and (iii) pay bond issuance costs. The economic gain resulting from the refunding was \$1,405,034. The bonds dated December 20, 2012 and bear interest of 2.22% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2013. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2019.

12,517,000

\$16,200,00 Capital Improvement Revenue Refunding Bonds, Series 2014, (i) refund a portion of the Capital Improvement Revenue Bonds, Series 2005 of which \$41,415,000 was currently outstanding and maturing in the years 2021 through 2025, and (ii) pay issuance costs on the Series 2014 bonds. The economic gain resulting from the refunding was \$1,695,208. The bonds dated July 23, 2014 and bear interest of 2.69% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2014. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2025.

16,077,000

The Capital Improvement Revenue Bonds, Series 2015, the Capital Improvement Revenue Bonds, Series 2014, the Capital Improvement Revenue Bonds, Series 2012A 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 Reserve Sharing Funds (less the Guaranteed Entitlement and the Second Guaranteed Entitlement).

Total Special Revenue Bond Obligation

\$ 50,553,000

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note VIII. LONG-TERM OBLIGATIONS (continued)

**Outstanding at
September 30, 2015**

Notes Payable:

Notes payable is comprised of the following at September 30, 2015:

SunTrust Equipment Finance & Leasing Corp

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

\$ 1,274,188

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

Special Revenue Bonds and Notes Payable

Fiscal Year Ending September 30,	Principal	Interest	Total
2016	\$ 7,446,872	\$ 1,115,296	\$ 8,562,168
2017	7,639,078	927,270	8,566,348
2018	7,272,238	845,705	8,117,943
2019	6,956,000	680,824	7,636,824
2020	7,102,000	533,195	7,635,195
2021-2025	15,411,000	1,265,780	16,676,780
Total	<u>\$ 51,827,188</u>	<u>\$ 5,368,070</u>	<u>\$ 57,195,258</u>

C. Refunded Obligations

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note VIII. LONG-TERM OBLIGATIONS (continued)

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

	Balance October 1, 2014	Reductions	Additions	Balance September 30, 2015	Due Within One Year
Governmental Activities:					
Capital Improvement Revenue Bonds, Series 2012A	\$ 8,267,000	\$ 0	\$ 0	\$ 8,267,000	\$ 0
Capital Improvement Revenue Refunding Bonds, Series 2015	0	0	13,692,000	13,692,000	6,806,000
Taxable Capital Improvement Revenue Bonds, Series 2012B	12,679,000	(162,000)	0	12,517,000	166,000
Capital Improvement Revenue Refunding Bonds, Series 2005	20,040,000	(20,040,000)	0	0	0
Capital Improvement Refunding Revenue Bonds, Series 2014	<u>16,200,000</u>	<u>(123,000)</u>	<u>0</u>	<u>16,077,000</u>	<u>126,000</u>
Total Special Revenue Debt	57,186,000	(20,325,000)	13,692,000	50,553,000	7,098,000
Liability for compensated absences	16,045,995	(7,574,225)	6,757,755	15,229,525	4,566,808
Pension benefit	48,144,350	(11,822,404)	40,859,006	77,180,952	0
Other postemployment benefits	6,155,375	(225,076)	1,118,545	7,048,844	0
Arbitrage rebate liability	25,000	0	0	25,000	0
Bank of America - Notes payable	<u>1,695,793</u>	<u>(421,605)</u>	<u>0</u>	<u>1,274,188</u>	<u>437,540</u>
Governmental Activity Long- term Debt	<u>\$ 129,252,513</u>	<u>\$ (40,368,310)</u>	<u>\$ 62,427,306</u>	<u>\$ 151,311,509</u>	<u>\$ 12,102,348</u>

	Balance October 1, 2014	Reductions	Additions	Balance September 30, 2015	Due Within One Year
Business-type activities:					
Liabilities for compensated absences	\$ 180,056	\$ (60,395)	\$ 52,884	\$ 172,545	\$ 51,345
Other postemployment benefits	96,539	(11,280)	16,815	102,074	0
Landfill closure and postclosure costs	<u>11,759,283</u>	<u>(781,752)</u>	<u>0</u>	<u>10,977,531</u>	<u>0</u>
Business-type activity Long-term liabilities	<u>\$ 12,035,878</u>	<u>\$ (853,427)</u>	<u>\$ 69,699</u>	<u>\$ 11,252,150</u>	<u>\$ 51,345</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note VIII. LONG-TERM OBLIGATIONS (continued)

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

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

E. Purchase Cards - The County currently utilizes purchasing cards with a cumulative credit limit of \$460,000. The balance on the purchasing cards is paid within ten days of each billing cycle. The purchasing activity for fiscal year 2015 is as follows:

Beginning balance	\$ 408,917
Purchases	4,982,189
Payments	<u>(5,017,802)</u>
Ending balance	<u>\$ 373,304</u>

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

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

H. Discretely presented Component Unit - Housing Finance Authority of Leon County

The Authority had the following bonds outstanding at September 30, 2015, pursuant to its authorization:

	<u>Amount</u> <u>Outstanding</u>
Single Family Mortgage Revenue and Refunding Bonds, Series 1995 A	<u>\$ 65,000</u>

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note VIII. LONG-TERM OBLIGATIONS (continued)

I. Conduit Debt Obligations - From time to time, the County has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of health care and industrial facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2015, the conduit debts outstanding were as follows:

Project Description	Fiscal Year Issued	Original Bond Issue	Principal Outstanding @ 9/30/2015
Holy Comforter Episcopal School	2002	\$ 4,400,000	\$ 2,664,841
Apalachee Center, Inc.	2008	8,500,000	6,346,692
Goodwill Industries - Big Bend, Inc.	2009	2,400,000	1,931,726
Educational Facilities Authority			
Refunding Series 1998A	1998	12,000,000	8,080,000
Refunding Series 1998B	1998	20,500,000	20,500,000
Student Housing Revenue Bonds 2003	2008	23,315,000	18,560,000
Total Conduit Debt Principal Balance as of September 30, 2015			\$ 58,083,259

Defeased Conduit Debt

Educational Facilities Authority	\$ 1,145,000
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J. Debt Parity

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note VIII. LONG-TERM OBLIGATIONS (continued)

	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Pledged revenues:				
Revenues available for debt service:				
Local Government Half-Cent Sales Tax	\$10,445,949	\$10,899,174	\$11,326,967	\$11,863,075
Guaranteed entitlement	316,798	316,798	316,798	316,798
Second guaranteed entitlement	1,026,649	1,026,649	1,026,649	1,026,649
Additional state revenue sharing funds	778,737	842,056	933,969	1,064,344
Total revenues available for debt service	<u>\$12,568,133</u>	<u>\$13,084,677</u>	<u>\$13,604,383</u>	<u>\$14,270,866</u>
Combined maximum annual debt service for debt (Series 2015, Series 2014, Series 2012A, and Series 2012B)	\$ 8,801,618	\$ 8,475,795	\$ 8,469,155	\$ 8,385,209
Debt service coverage	1.43 x	1.54 x	1.61 x	1.70 x

Note IX. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the County to place a final cover on each of its landfill cells when it stops accepting waste and to perform certain maintenance and monitoring functions on each cell for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$10,977,531 reported as landfill closure and post-closure care liability at September 30, 2015, 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 2015 on those cells placed in use. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The landfill is no longer accepting Class I waste, however it is still accepting residuals from a Class III materials recovery facility and recovered screened materials. Since the landfill is permitted as a single permit, until the entire landfill is closed, the County cannot begin to perform closure and post-closure care.

The County is required by state and federal laws to make annual contributions to an escrow account to finance a minimum of all closure costs and at least one year of post-closure costs. The County is in compliance with those minimum requirements, and at September 30, 2015, held investments in the amount of \$7,669,889 for these purposes that are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined; these costs may need to be covered by charges to future landfill users or from future tax revenue.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note IX. CLOSURE AND POSTCLOSURE CARE COST (continued)

Net income of the landfill fund is accumulated in a reserve for rate stabilization. The fund reported a reserve balance of \$18,100,395 at September 30, 2015. The intent of this reserve is to allow for consistent usage fee charges, construction or acquisition of landfill assets and accumulation of closure and post-closure costs. Because funding for closure and post-closure costs associated with unused capacity of landfill cells is to be derived from future usage fees, the rate stabilization reserve does not represent liquid assets available for that purpose.

Note X. EMPLOYEE BENEFITS

A. Florida Retirement System

Plan Description - The County contributes to the Florida Retirement System (the FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides retirement, disability or death benefits to retirees or their designated beneficiaries along with an annual cost-of-living adjustment. Employees are classified in either the regular service class or the senior management service class. Currently, the active participants for Leon County are 2,091 out of a total of 512,909 active FRS participants.

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

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

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

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

The FRS CAFR and actuarial valuation reports as of July 1, 2015 are available online at http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

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

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

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

The FRS relies upon contributions from employees and employers, along with investment income, to meet the funding requirements of an actuarially determined accrued liability. As of July 1, 2015, the date of the latest valuation, the FRS' funded ratio was 86.50% on the valuation funding basis and 89.70% on a Market Value of Assets basis.

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

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

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2015, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2015, 2014, and 2013 were \$11,515,094, \$10,436,940, and \$7,877,084, respectively, which is equal to 100% of the required contribution for each year.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

The rates for 2015 and 2014 fiscal years were as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2014	July 1, 2015
Regular Class	For employees in the FRS as of June 30, 2011, normal retirement at age 62 or at least 30 years of service: 1.60% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	7.37 %	7.26 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 1.6% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		
Senior Management Class	For employees in the FRS as of June 30, 2011, normal retirement at seven years and age 62: 2.00% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	21.14 %	21.43 %
Special Risk (sworn employees)	For employees in the FRS as of June 30, 2011, normal retirement at age 55, or 25 years of special risk service: 2% to 3% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	19.82 %	22.04 %
Elected County Officers' Class (ESCOC)- Nonjudicial	For employees in the FRS as of June 30, 2011, normal retirement at eight years ESCOC service and age 62: 3.00% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	43.24 %	42.27 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 3.00% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

<u>Membership Category</u>	<u>Benefit</u>	<u>Vesting</u>	<u>Employer Contribution Rate</u>	
			<u>July 1, 2014</u>	<u>July 1, 2015</u>
Deferred Retirement Option Program (Drop)	For employees in DROP as of June 30, 2011, retirement benefit paid to DROP where it earns 6.5% interest, tax deferred, for up to five years while the member continues to work.	Available to vested members at normal retirement age or date.	12.28 %	12.88 %
	For employees entered in DROP on or after July 1, 2011, retirement benefit paid to DROP where it earns 1.3% interest, tax deferred, for up to five years while the member continues to work.			

Net Pension Liability - At September 30, 2015, the County reported for its share of the FRS and HIS plans the amount for the net pension liability as shown below:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
June 30, 2015	\$49,224,656	\$27,956,296	\$77,180,952
June 30, 2014	\$22,807,695	\$25,336,655	\$48,144,350

The net pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2015 and July 1, 2014 for the net pension liability as of June 30, 2015 and 2014, respectively.

At September 30, 2015, the County reported for its proportionate share of the employer portion for the FRS and HIS net pension liability the percentages below:

	<u>FRS</u>	<u>HIS</u>
June 30, 2015	0.381103706%	0.274123595%
June 30, 2014	0.373806519%	0.270973192%
Increase in Share for 2015	0.007297187%	0.003150403%

The County's proportionate share of the net pension liability was based on the County's 2014-2015 fiscal year contributions relative to the 2013-2014 fiscal year contributions of all participating members of FRS.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

Actuarial Methods and Assumptions - Actuarial Assumptions for both defined benefit plans are reviewed by the Florida Retirement System Actuarial Assumptions Conference on an annual basis. The FRS Pension Plan has an annual valuation in accordance with 121.031(3), Florida Statutes while the Health Insurance Subsidy HIS program is valued biennially and updated for GASB reporting in the year a valuation is not performed. An experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. The HIS program is funded on a pay as you go basis and so no experience study has been completed for this program.

The total pension liability for each of the defined plans was determined by an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long term expected rate of return used for the FRS Pension Plan investments is 7.65%.

The plan's fiduciary net position was projected as available for all projected future benefit payments of current active and inactive employees. The discount rate for calculating the total pension liability is equal to the long term expected rate of return. For the HIS program, a municipal bond rate of 3.80% was used to determine the total pension liability. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB Tables.

The actuarial assumptions that determined the total pension liability as of June 30, 2014 were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2013 and are shown below:

Valuation Date	July 1, 2014	July 1, 2015
Measurement Date	June 30, 2014	June 30, 2015
Payroll Growth	1.00%	0.65%
Inflation	3.00%	2.60%
Salary Increases Including Inflation	4.00%	3.25%
Rate of Return	7.75%	7.65%
HIS Municipal	4.29%	3.80%
Mortality	Generational RP-2000 with Projection Scale AA	Generational RP-2000 with Projection Scale BB
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

Investments - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting. The table below shows Milliman's assumptions for each asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each class was used to map the target allocation to the classes shown below. Each assumption is based on a consistent set of underlying assumptions, and includes an adjustment for inflation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

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

Sensitivity Analysis - the tables below represent the sensitivity of the net pension liability to changes in the discount rate for Leon County. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate shows as 1.00% higher or 1.00% lower than the current discounted rate at June 30, 2015.

<u>FRS Net Pension Liability</u>		
1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
<u>\$127,552,214</u>	<u>\$49,224,656</u>	<u>\$(15,596,740)</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

HIS Net Pension Liability		
1% Decrease 2.80%	Current Discount Rate 3.80%	1% Increase 4.80%
\$31,854,896	\$27,956,296	\$24,705,446

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

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

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2015 was 6.3 years for FRS and 7.2 for HIS. The components of collective pension expense reported in the pension allocation schedules for the year ended June 30, 2015 are presented for each plan.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

Florida Retirement System

The components of the collective pension expense reported in the pension allocation schedules by the Florida Retirement System for the year ended June 30, 2015 are presented below and are used to calculate Leon County's share of the pension plan for 2015 which is 0.381103706%:

	Total	Expense	Deferred Outflows	Deferred (Inflows)	Amortization Period
Beginning Net Pension Liability at June 30, 2014	\$ 6,101,470,575				
Service Cost	2,114,046,879	2,114,046,879			
Interest on Total Pension Liability	11,721,563,262	11,721,563,262			
Experience Assumptions	1,620,863,000	186,038,844	1,363,583,159	(306,336,286)	6.3 Years
Employer Contributions	(2,438,084,925)				
Projected Investment Earnings	(11,210,153,877)	(11,210,153,877)			
Member Contributions	(698,304,112)	(698,304,112)	918,043,103	(918,043,103)	
(Gain)/Loss on Investments	5,686,866,405	(1,407,193,138)		(3,084,206,132)	5.0 Years
Administrative Expense	18,073,979	18,073,979			
Net Pension Liability at June 30, 2015	\$ 12,916,341,186	\$ 923,444,134	\$ 3,138,927,138	\$ (4,308,585,521)	

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

For the fiscal year ended September 30, 2015, the County recognized pension expense of \$3,326,339 for the FRS plan. In addition the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources for the FRS Plan	Deferred Inflows of Resources for the FRS Plan
Differences between expected and actual experience	\$ 5,196,666	\$ (1,167,459)
Change of assumptions	3,267,205	0
Net difference between projected and actual earnings on FRS Plan investments	17,338,287	(29,092,310)
Changes in proportion and differences between County FRS Plan contributions and proportionate share of contributions	3,537,689	(4,186,638)
County FRS Plan contributions subsequent to the measurement date	<u>2,569,189</u>	<u>0</u>
Total	<u>\$ 31,909,036</u>	<u>\$ (34,446,407)</u>

The deferred outflows of resources related to the Pension Plan, totaling \$2,569,189 and resulting from County contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	FRS Expense
2016	\$(4,086,990)
2017	(4,086,990)
2018	(4,086,990)
2019	5,610,447
2020	1,195,604
Thereafter	348,358
Totals	\$(5,106,561)

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

Health Insurance Subsidy

The components of the collective pension expense reported in the pension allocation schedules for the Florida Retirement System's Health Insurance Subsidy for the year ended June 30, 2015 are presented below and are used for to calculate Leon County's share for 2015 which is 0.274123595%.

	Total	Expense	Deferred Outflows	Deferred (Inflows)	Amortization Period
Beginning Net Pension Liability at June 30, 2014	\$ 9,350,244,011				
Service Cost	217,518,873	217,518,873			
Interest on Total Pension Liability	405,440,918	405,440,918			
Assumptions	607,698,044	138,066,828	802,350,014		7.2 Years
Employer Contributions	(382,262,242)				
Projected Investment Earnings	(3,093,329)	(3,093,329)			
(Gain)/Loss on Investments	2,693,028	1,660,696	5,520,694		5.0 Years
Administrative Expense	187,672	187,672			
Net Pension Liability at June 30, 2015	\$ 10,198,426,975	\$ 759,781,658	\$ 807,870,708		

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

For the fiscal year ended September 30, 2015, the County recognized pension expense of \$2,021,540 for the HIS plan. In addition the County reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources for the HIS Plan	Deferred Inflows of Resources for the HIS Plan
Differences between expected and actual experience	\$ 0	\$ 0
Change of assumptions	2,199,431	0
Net difference between projected and actual earnings on HIS Plan investments	15,132	0
Changes in proportion and differences between County HIS Plan contributions and proportionate share of contributions	262,998	(541,806)
County HIS Plan contributions subsequent to the measurement date	<u>876,152</u>	<u>0</u>
Total	<u>\$ 3,353,713</u>	<u>\$ (541,806)</u>

The deferred outflows of resources related to the HIS Plan, totaling \$876,152 resulting from County contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported by the County as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	HIS Expense
2016	\$321,825
2017	321,825
2018	321,825
2019	318,749
2020	317,273
Thereafter	334,258
Totals	\$1,935,755

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

B. Deferred Compensation Plan

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

C. Liability for Compensated Absences

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

D. Executive Service Plan

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

E. Post Employment Benefits Other Than Pension Benefits

Plan Description

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

Funding Policy

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

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

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

	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>
Normal cost (service cost for one year)	\$ 395,518	\$ 505,874	\$ 505,874
Amortization of unfunded actuarial accrued liability	696,174	580,344	580,344
Interest on normal cost and amortization	43,668	43,449	43,449
Annual required contribution	1,135,360	1,129,667	1,129,667
Interest on net OPEB obligation	250,076	213,804	176,524
Adjustment to annual required contribution	<u>(347,642)</u>	<u>(297,219)</u>	<u>(245,394)</u>
Annual OPEB cost	1,037,794	1,046,252	1,060,797
Contributions made	<u>(138,793)</u>	<u>(139,433)</u>	<u>(128,809)</u>
Increase in net OPEB obligation	899,001	906,819	931,988
Net OPEB obligation at beginning of year	<u>6,251,917</u>	<u>5,345,098</u>	<u>4,413,110</u>
Net OPEB obligation at end of year	<u>\$ 7,150,918</u>	<u>\$ 6,251,917</u>	<u>\$ 5,345,098</u>

The percentage of annual OPEB cost contributed to the plan for fiscal year 2015, 2014, and 2013, was 13.37%, 13.33%, and 12.14%, respectively.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note X. EMPLOYEE BENEFITS (continued)

Funded Status and Funding Progress

As of September 30, 2015, the County's share of the actuarial accrued liability for benefits recognized in the County's financial statements was \$12,519,788, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the plan) was \$82,413,692. The ratio of the County's actuarial accrued liability to the County's covered payroll was 15.19% at September 30, 2015.

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

Actuarial Methods and Assumptions

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

For the October 1, 2014 actuarial valuation, the projected unit credit method of funding was used. The objective under that method is to fund each participant's benefits under the plan as they would accrue, taking into consideration the plan's benefit allocation formula. Thus, the total benefit value each participant is expected to become entitled to is broken down into units, each associated with a year of past or future credited service. The actuarial assumptions included a 4% rate of return based on the estimated long-term investments that are expected to be used to finance the payment of the benefits. In addition, the actuarial assumptions included a 3% salary growth rate. As stated in the plan description, healthcare costs are not included in the liability; therefore no healthcare cost trend assumption is made. The unfunded actuarial liability is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2015, was 30 years.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES

A. General Liability

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

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

	<u>Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
September 30, 2015	\$ 10,281	\$ (586)	\$ 0	\$ 9,695
September 30, 2014	\$ 15,965	\$ (5,684)	\$ 0	\$ 10,281

The claims liability of \$9,695 includes an actuarial valuation for incurred but not yet reported claims of \$10,000.

B. Workers' Compensation

The County's Insurance Service Fund is used to account for insurance activities relating to workers' compensation that is administered by a third-party administrator. Under this program, the County absorbs losses up to a maximum of \$500,000 for each claim. At September 30, 2015, the County had \$67,298 deposited with the third-party administrator for use against future claims. The County purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in the current year or any of the past four years.

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

The claims liability for workers' compensation of \$3,665,220, which includes an actuarial evaluation for incurred but not reported claims of \$2,352,595, is included in other current liabilities and reported in the Internal Service Fund at September 30, 2015. The liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

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

Year	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2015	\$ 2,781,151	\$ 1,847,069	\$ (963,000)	\$ 3,665,220
September 30, 2014	\$ 2,714,523	\$ 902,628	\$ (836,000)	\$ 2,781,151

C. Automobile Liability

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

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

As a member of the Florida Sheriff's Association, the Sheriff participates in the Sheriffs' Automobile Risk Program for automobile liability insurance. Coverage includes liability for bodily injury and property damage, personal injury protection, auto medical payments, bodily injury for uninsured motorists and physical damage. Coverage for physical damage is also maintained on certain vehicles. The contribution required for the year ended September 30, 2015 was \$174,494.

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

Year	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2015	\$ 5,140	\$ (293)	\$ 0	\$ 4,847
September 30, 2014	\$ 36,238	\$ (31,098)	\$ 0	\$ 5,140

The claims liability of \$4,847 includes an actuarial valuation for incurred but not reported claims of \$5,000.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

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

D. Professional Liability

The Sheriff is currently a member of the Florida Sheriffs' Association and participates in the Florida Sheriffs' Self-Insurance Fund. The Self-Insurance Fund administers insurance activities related to professional liability and covers compensatory damages (except back pay), employment benefits, punitive damages, attorney fees or costs awarded to a prevailing plaintiff, and all legal fees involved in defense of the Sheriff. The contribution required for the year ended September 30, 2015 was \$845,759.

The limits of the Self-Insurance Fund for the above mentioned damages, fees and defense costs are \$3,200,000 per person; \$5,000,000 per incident or occurrence; and \$10,000,000 in aggregate for the policy year. Settled claims did not exceed this coverage in the current year.

E. Excess Insurance

In the normal course of jail operations, the Sheriff seeks to limit its exposure to loss for catastrophic medical costs by purchasing insurance under an excess coverage contract. During the year ended September 30, 2015, the Sheriff maintained an excess insurance policy that provides a maximum specific benefit of \$250,000 per covered person, for claims in excess of \$75,000 reported during the annual contract term. The premium required for the year ended September 30, 2015 was \$74,860.

Note XII. SEGMENT INFORMATION - ENTERPRISE FUNDS

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

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Excess of Expenditures Over Appropriation

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

B. Excess of Expenditures Over Revenue in the Budget Column

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

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2015

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (continued)

C. Deficit Fund Balances

There were no funds with deficit fund balances as of September 30, 2015.

D. Minimum Fund Balance Policy

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (continued)

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

E. Fund Balance

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

	<u>General Fund</u>	<u>Major Funds</u>	<u>Other Funds</u>	<u>Total</u>
Nonspendable:				
Inventory	\$ 630,165	\$ 0	\$ 2,640	\$ 632,805
Prepaid assets	44,527	0	10,200	54,727
Total nonspendable	<u>674,692</u>	<u>0</u>	<u>12,840</u>	<u>687,532</u>
Restricted for:				
Federal and state grants and other purposes	0	1,519,490	181,290	1,700,780
Major non-transportation related capital projects and facilities	0	19,940,027	0	19,940,027
Debt service	0	0	226,000	226,000
Public improvement revenue bond projects	0	0	21,910,065	21,910,065
Impact fee - road improvements	0	0	1,208,763	1,208,763
Enabling legislation	0	0	19,914,328	19,914,328
Total restricted	<u>0</u>	<u>21,459,517</u>	<u>43,440,446</u>	<u>64,899,963</u>
Committed for:				
Minimum reserve requirement	6,511,947	276,090	0	6,788,037
Fire protection services	0	1,128,724	0	1,128,724
Emergency medical services	0	0	9,420,586	9,420,586
Environmental management	0	0	885,125	885,125
Building inspections	0	0	1,723,884	1,723,884
Unincorporated stormwater maintenance	0	0	1,991,775	1,991,775
Unincorporated municipal services	0	0	3,128,975	3,128,975
City sewer service distribution	0	0	2,477	2,477
Inmate welfare and rehabilitation	0	0	762,718	762,718
County accepted roadways and drainage program (CARDS)	0	264,056	0	264,056
Total committed	<u>6,511,947</u>	<u>1,668,870</u>	<u>17,915,540</u>	<u>26,096,357</u>
Assigned for:				
Beginning appropriated fund balance	4,125,000	0	38,860	4,163,860
Carry-forward appropriations	3,146,200	250,000	74,650	3,470,850
General government	0	0	74,535	74,535
Public safety	0	1,314,511	291,892	1,606,403
Total assigned	<u>7,271,200</u>	<u>1,564,511</u>	<u>479,937</u>	<u>9,315,648</u>
Unassigned:	<u>28,955,138</u>	<u>0</u>	<u>0</u>	<u>28,955,138</u>
Total Fund Balances	<u>\$43,412,977</u>	<u>\$24,692,898</u>	<u>\$61,848,763</u>	<u>\$129,954,638</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note XIV. COMMITMENTS AND CONTINGENCIES

A. Contract Commitments

Lease Income

On June 2003, the County purchased the Bank of America building. There are several noncancellable operating lease agreements for the rental of its building. The lease agreements provide for monthly rentals, which escalate over the lease terms and expire on various dates. Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2015 are as follows:

Fiscal Year Ending September 30,	Amount
2016	\$ 1,335,720
2017	844,203
2018	471,691
2019	465,601
2020	445,177
2019-2023	149,410
Total minimum payments	<u>\$ 3,711,802</u>

The property being leased is included in the Statement of Net Position Governmental Activities column with a carrying value of \$18,745,881 and depreciation expense of \$473,935 for fiscal year 2015. The facility is carried as a governmental activity because the County purchased the building to provide offices for County staff.

In October 2009, the Board purchased the Lake Jackson Town Center. There are several noncancellable operating lease agreements for the rental of its building. The lease agreements provide for monthly rentals, which escalate over the lease terms and expire on various dates. Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2015, are as follows:

Fiscal Year Ending September 30,	Amount
2016	\$ 253,660
2017	55,735
2018	23,912
Total minimum payments	<u>\$ 333,307</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Lease Income (continued)

The property being leased is included in the Statement of Net Position Governmental Activities column under Land and construction in progress with a carrying value of \$7,013,207 for fiscal year 2015. The facility is carried as a governmental activity because the County purchased the building to provide offices for County staff as well as to provide Library services to the community.

Operating Leases

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

Fiscal Year Ending September 30,	Amount
2016	\$ 193,919
2017	197,365
2018	200,838
2019	204,598
2020	208,358
2021-2023	<u>409,718</u>
Total minimum payments	<u>\$ 1,414,796</u>

Rental expense for the year ended September 30, 2015 was \$190,116.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

The Tax Collector has entered into noncancellable operating leases as lessee for office space and office equipment. Some of the real property leases contain provisions for four or five-year renewal options, with stated increases or decreases for lease payments. At September 30, 2015, aggregate future minimum payments under non-cancelable operating leases with remaining terms equal to or exceeding one year are as follows:

Fiscal Year Ending September 30,	Amount
2016	\$ 917,220
2017	923,733
2018	930,411
2019	770,416
2020	669,887
2021-2025	3,055,692
2026-2030	2,797,061
2031-2033	<u>1,538,383</u>
Total minimum payments	<u>\$11,602,803</u>

Lease expenditures incurred under operating leases for the year ended September 30, 2015 were \$882,518.

The Sheriff is committed to various operating leases for certain office and radio equipment. Operating leases are generally defined as leases that do not transfer benefits and risks of ownership to the lessee. For the year ended September 30, 2015, equipment lease expenses were \$124,283. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

Fiscal Year Ending September 30,	Amount
2016	\$ 30,452
2017	17,292
2018	6,851
2019	3,995
2020	1,325
Thereafter	<u>1,200</u>
Total minimum payments	<u>\$ 61,115</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

The Clerk leases office equipment and building space under operating leases expiring in various years through 2023. Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2015, for each of the next five years and in the aggregate are as follows:

Fiscal Year Ending September 30,	Amount
2016	\$ 85,968
2017	78,279
2018	77,580
2019	61,500
2020	61,500
2021-2023	<u>169,125</u>
Total minimum payments	<u>\$ 533,952</u>

Rent expense paid during the fiscal year ended September 30, 2015 was \$86,716.

On June 27, 2010, the Clerk entered into an agreement for installation and implementation of new software. An addendum was made during the year to increase the contract by \$193,160. The total fees under this contract are now \$1,204,014. As of September 30, 2015, a total of \$951,915 has been paid with a remaining balance of \$252,099. The remaining balance will be paid in subsequent years based on the implementation of the civil and criminal case maintenance systems. There has not been a date setup from the criminal case maintenance system implementation.

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

Grants

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Long-Term Construction Projects

The County is committed to various material long-term construction projects at September 30, 2015. These commitments have been included in the 2014-2015 fiscal year budget and the five-year Capital Improvement Program and certain amounts have been reserved in the capital projects fund. Current contracts outstanding as of the report date approximate \$4.1 million as compared to \$4.9 million at September 30, 2014.

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

B. Potential Liabilities Resulting from Litigation

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

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2015

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

C. Subsequent Events

The County has evaluated subsequent events through February 29, 2016, the date the financial statements were available to be issued.

Note XV. Change in Accounting Principle

Effective October 1, 2014, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Adoption of GASB 68 resulted in a change in accounting principle associated with the County's measurement and recognition of liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans. Net Pension Liability is required to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employee's past periods of service, less the amount of the pension plan's fiduciary net position. Accordingly, net position at October 1, 2014 was reduced by \$76,227,168.

Note XVI. Prior Period Adjustment

During the year it was determined that several projects were included in construction in progress that did not meet the definition of a capital asset. As a result of removing these projects, net position at October 1, 2014 was reduced by \$25,442,398.

REQUIRED SUPPLEMENTARY INFORMATION

Leon County, Florida

Proportionate Share of Net Pension Liability

Florida Retirement System
Last Ten Fiscal Years*

	2015	2014	2013
Leon County's proportion of the net pension liability	0.381103706 %	0.373806519 %	0.387480733 %
Leon County's proportionate share of the net pension liability	\$ 49,224,656	\$ 22,807,695	\$ 66,702,680
Leon County's covered-employee payroll	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Leon County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.73 %	28.27 %	83.01 %
Plan fiduciary net position as a percentage of the total pension liability	92.00 %	96.09 %	88.54 %

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

Leon County, Florida

Schedule of Contributions

Florida Retirement System
Last Ten Fiscal Years*

	2015	2014	2013
Contractually required contribution	\$ 9,291,632	\$ 8,187,949	\$ 5,214,322
Contributions in relation to the contractually required contribution	(9,291,632)	(8,187,949)	(5,214,322)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0
Leon County's covered-employee payroll	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Contributions as a percentage of covered-employee payroll	11.27 %	10.15 %	6.49 %

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

Leon County, Florida

Proportionate Share of Net Pension Liability

Health Insurance Subsidy Program Last Ten Fiscal Years*

	2015	2014	2013
Leon County's proportion of the net pension liability	0.274123595 %	0.270973192 %	0.279295965 %
Leon County's proportionate share of the net pension liability	\$ 27,956,296	\$ 25,336,655	\$ 24,316,386
Leon County's covered-employee payroll	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Leon County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.92 %	31.41 %	30.26 %
Plan fiduciary net position as a percentage of the total pension liability	0.50 %	0.99 %	1.78 %

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

Leon County, Florida

Schedule of Contributions

Health Insurance Subsidy Program Last Ten Fiscal Years*

	2015	2014	2013
Contractually required contribution	\$ 1,047,871	\$ 928,263	\$ 914,903
Contributions in relation to the contractually required contribution	(1,047,871)	(928,263)	(914,903)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0
Leon County's covered-employee payroll	\$ 82,413,692	\$ 80,672,932	\$ 80,356,724
Contributions as a percentage of covered-employee payroll	1.27 %	1.15 %	1.14 %

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

**INTERNAL CONTROL
AND
COMPLIANCE REPORTS**

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

Honorable Board of County Commissioners
Leon County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Leon County, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Leon County, Florida's basic financial statements, and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

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

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

Honorable Board of County Commissioners
Leon County, Florida
Page Two

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

Compliance and Other Matters

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

Purpose of this Report

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

We noted certain other matters pursuant to the Chapter 10.550, *Rules of the Auditor General* that we have reported to the management of Leon County, Florida in a separate letter dated February 29, 2016.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
February 29, 2016



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

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by
OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*

Honorable Board of County Commissioners
Leon County, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Leon County, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Florida Department of Financial Service's State Projects Compliance Supplement*, that could have a direct and material effect on each of Leon County, Florida's major federal programs and state projects for the year ended September 30, 2015. Leon County, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedules of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Leon County, Florida's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Leon County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, Leon County, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of Leon County, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Leon County, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leon County, Florida's internal control over compliance.

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

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

Honorable Board of County Commissioners
Leon County, Florida
Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
February 29, 2016



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

Honorable Board of County Commissioners
Leon County, Florida
Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Thomas Howell Ferguson PA
Tallahassee, Florida
February 29, 2016

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

Leon County Board of County Commissioners
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2015

Federal / State Agency Pass-through Entity <u>Federal Program / State Project</u>	CFDA or CSFA <u>Number</u>	Grant Contract <u>Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Pass through Florida Department of Financial Services Schools and Roads - Grants to States	10.665	USFOR2014	57,160
<u>U.S. Department of Housing and Urban Development</u>			
Pass through Florida Department of Economic Opportunities Community Development Block Grants	14.228	10DB-K4-02-47-01-K21	155,629
Community Development Block Grants	14.228	12DB-P5-02-47-01-K38	1,101,611
Total CFDA # 14.228			<u>1,257,240</u>
<u>U.S. Department of Interior</u>			
Direct Program Payment in Lieu of Taxes	15.226	Unknown	207,352
<u>U.S. Department of Justice</u>			
Direct Program Equitable Sharing Program	16.922	N/A	3
Pass through State of Florida Office of the Attorney General Crime Victim Assistance	16.575	V14151	47,506
Direct Programs State Criminal Alien Assistance Program	16.606	2009-AP-BX-0021	6,415
State Criminal Alien Assistance Program	16.606	2010-AP-BX-0553	40,051
State Criminal Alien Assistance Program	16.606	2011-AP-BX-0197	29,190
State Criminal Alien Assistance Program	16.606	2012-AP-BX-0844	35,912
State Criminal Alien Assistance Program	16.606	2013-AP-BX-0874	2,569
Total CFDA # 16.606			<u>114,137</u>
Direct Program Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0400	25,940
Pass through Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-JAGC-LEON-1-R3-148	84,445
<u>U.S. Department of State</u>			
Pass through Florida Department of State Help America Vote Act Requirements Payments	90.401	MOA#2014-2015-0001-LEO	47,905
Voting Access for Individuals With Disabilities-Grants to States	93.617	MOA#2014-2015-0003-LEO	13,499
Voting Access for Individuals With Disabilities-Grants to States	93.617	MOA#2015-2016-0003-LEO	9,563
Total CFDA # 93.617			<u>23,062</u>
<u>U.S. Department of Transportation</u>			
Pass through Florida Department of Environmental Protection Recreational Trails Program	20.219	T1005	335
Pass through Florida Department of Transportation Highway Planning and Construction	20.205	AQW88	16,500
<u>U.S. Department of Health and Human Services</u>			
Pass through Florida Department of Revenue Child Support Enforcement-Service of Process	93.563	CSP37	15,748
Child Support Enforcement-Title IV D Incentive	93.563	Unknown	3,443
Child Support Enforcement-Title IV D	93.563	COC37	371,820
Total CFDA # 93.563			<u>391,011</u>
<u>U.S. Department of Homeland Security, Office of Domestic Preparedness</u>			
Pass through Florida Division of Emergency Management Homeland Security Grant Program	97.067	14-DS-L5-02-47-01-262	1,530
Homeland Security Grant Program	97.067	14-DS-L5-02-47-01-261	70,906
Homeland Security Grant Program	97.067	15-DS-P4-02-47-23-314	54,850
Homeland Security Grant Program	97.067	15-DS-P4-02-47-23-386	459
Total CFDA # 97.067			<u>127,745</u>

(continued)

See independent auditor's report.

Leon County Board of County Commissioners
Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2015

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures
FEDERAL AWARDS (continued)			
<u>Federal Emergency Management Agency</u>			
Pass through Florida Department of Emergency Management			
Emergency Management Performance Grants	97.042	15-FG-4D-02-47-01-104	64,021
Emergency Management Performance Grants	97.042	16-FG-5A-02-47-01-103	18,931
Total CFDA # 97.042			<u>82,952</u>
Total Expenditures of Federal Awards			<u>\$ 2,483,293</u>

(continued)

See independent auditor's report.

Leon County Board of County Commissioners
Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2015

Federal / State Agency Pass-through Entity <u>Federal Program / State Project</u>	CFDA or CSFA <u>Number</u>	Grant Contract <u>Number</u>	<u>Expenditures</u>
STATE FINANCIAL ASSISTANCE			
<u>State of Florida Division of Emergency Management</u>			
Direct Projects			
Emergency Management Programs	31.063	16-BG-83-02-47-01-036	26,444
Emergency Management Programs	31.063	15-BG-83-02-47-01-037	75,029
Total State of Florida Division of Emergency Management			<u>101,473</u>
<u>Florida Department of Environmental Protection</u>			
Direct Project			
Statewide Surface Water Restoration and Wastewater Projects	37.039	Unknown	100,108
<u>Florida Department of Economic Opportunity</u>			
Direct Project			
Growth Management Implementation	40.024	P0079	25,000
<u>Florida Department of Agriculture and Consumer Services</u>			
Direct Project			
Mosquito Control	42.003	Unknown	23,940
<u>Florida Department of State</u>			
Direct Project			
State Aid to Libraries	45.030	15-ST-29	219,736
<u>Florida Housing Finance Corporation</u>			
Direct Projects			
State Housing Initiatives Partnership (SHIP) Program	52.901	SHIP 13	6,656
State Housing Initiatives Partnership (SHIP) Program	52.901	SHIP 14	168,331
State Housing Initiatives Partnership (SHIP) Program	52.901	SHIP 15	43,345
Total Florida Housing Finance Corporation			<u>218,332</u>
<u>Florida Department of Health</u>			
Direct Projects			
County Grant Awards	64.005	C3037	26,545
Emergency Medical Services (EMS) Matching Awards	64.003	M3100	16,969
Emergency Medical Services (EMS) Matching Awards	64.003	M2006	31,125
Total Florida Department of Health			<u>74,639</u>
Total Expenditures of State Financial Assistance			<u>\$ 661,755</u>

NOTES:

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

Community Development Block Grant-Entitlement	14.218	\$ 54,691
State Housing Initiatives Partnership Program	52.901	2,059,355
		<u>\$ 2,114,046</u>

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

See independent auditor's report.

**Board of County Commissioners
Leon County, Florida
Schedule of Findings and Questioned Costs
Year ended September 30, 2015**

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditor's report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
		U.S. Department of Housing and Urban Development
		Pass through Florida Department of Economic Opportunities
	14.228	Community Development Block Grants
		U.S. Department of Health and Human Services
		Pass through Florida Department of Revenue
	93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II -- Financial Statement Findings

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

Section III -- Federal Award Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133.

See independent auditors' report.

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over major projects:

 Significant deficiency(ies) identified? No

 Significant deficiency(ies) identified considered to be material weaknesses? None

Noncompliance material to financial statements noted? No

State Financial Assistance Awards

Internal control over major projects:

 Significant deficiency(ies) identified? No

 Significant deficiency(ies) identified considered to be material weaknesses? None

Type of auditors' report issued on compliance for major projects? Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Rules of the Auditor General*, Chapter 10.554(1)(1)(4)? No

Findings required to be reported in a management letter pursuant to *Rules of the Auditor General*, Chapter 10.554(1)(i)? None reported

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Project</u>
		Florida Department of State Direct Program
	45.030	State Aid to Libraries
		Florida Housing Finance Corporation Direct Program
	52.901	State Housing Initiatives Partnership (SHIP) Program

Dollar threshold used to distinguish between Type A and Type B projects: \$300,000

Section II -- Financial Statement Findings

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

Section III -- State Financial Assistance Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with *Rules of the Auditor General*, Chapter 10.554(1)(1)(4).

See independent auditor's report.

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

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

Year ended September 30, 2015

Section III - Findings and Questioned Costs – Major Federal Award and State Project Programs

There are no Federal Award and State Project findings.

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

Summary Schedule of Prior Audit Findings

Year ended September 30, 2015

Federal Awards and State Financial Assistance:

Federal Programs

Finding 2014-001

United States Department of Transportation
Pass-Through Florida Department of Environmental Protection
Recreational Trails Program – CFDA 20.219

During the prior year audit procedures performed on the Miccosukee Greenway Project No. T1005, we noted that the close-out documentation for the grant had not been submitted, which resulted in the remaining funding in the amount of \$20,293 being retained by DEP.

Status: Leon County has completed all requirements to close out the grant and has received the final reimbursement. This finding was resolved for the year ended September 30, 2015.

State Projects

There were no prior State project audit findings.

MANAGEMENT LETTER

Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

We have audited the financial statements of Leon County, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated February 29, 2016.

Auditor's 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*; Schedule of Expenditures of Federal Awards and State Financial Assistance; Schedule of Findings and Questioned Costs; and Summary Schedule of Prior Audit Findings. Disclosures in those schedules and reports, which are dated February 29, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Leon County, Florida is a political subdivision of the State of Florida. Leon County, Florida included the following component unit: The Housing Finance Authority of Leon County, which was authorized pursuant to Chapter 159, Part IV, of the *Florida Statutes* and was created by Leon County Ordinance 80-39.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for Leon County, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

Other Matters

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

15-01 Systematic process for back-ups

Our assessment of information technology controls identified that the MIS division does not currently have a formal and comprehensive process for periodically testing the integrity and viability of server and database back-ups. Restores of back-ups were performed to a degree but not in a systematic manner. We recommend that procedures be implemented to systematically restore and test back-ups of IT data, software, and configurations to ensure back-ups are functioning as intended. The plan should be developed using a risk-based approach to guide decisions with regard to selecting which back-ups are to be restored on a test basis and the frequency in which the back-ups are tested. The plan should also provide for assessing the integrity of all back-ups within a defined time period, perhaps annually.

Management's response: We agree with your comment that a systematic and regular test of the backup for the financial system needs to be in a written policy and tested at least annually. We are in the process of developing our policy.

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

Purpose of this Letter

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



Thomas Howell Ferguson P.A.
Tallahassee, Florida
February 29, 2016



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