

**HILLSBOROUGH COUNTY, FLORIDA
SHERIFF**

FINANCIAL STATEMENTS

As of and for the Year Ended September 30, 2016

And Reports of Independent Auditor

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
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Report of Independent Auditor

The Honorable David A. Gee,
Sheriff
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Hillsborough County, Florida Sheriff (the "Sheriff") as of and for the year ended September 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from 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 the auditor's judgment, including the assessment of the risks 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 each major fund and the aggregate remaining fund information of the Sheriff as of September 30, 2016 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with Rules of the Auditor General of the State of Florida. In conformity with the Rules, the accompanying financial statements are intended to present the financial position, the changes in financial position and, where applicable, the cash flows of each fund of Hillsborough County, Florida that is attributable to the Sheriff. They do not purport to, and do not, present fairly the financial position of Hillsborough County, Florida as of September 30, 2016, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Reclassification

As discussed in Note 1 to the financial statements, the Sheriff no longer accounts for "fees for service" transactions in the General Fund and Communications 911 Fund as Charges for Services and has accounted for these amounts as Transfers-In from the Board of County Commissioners. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 24 and 25 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's basic financial statements. The other financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The other financial 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. Such 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, the other financial information is 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 our report dated December 15, 2016, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Sheriff's internal control over financial reporting and compliance.

 Cherry Bekant LLP

Tampa, Florida
December 15, 2016

FINANCIAL STATEMENTS

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
BALANCE SHEET – GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	Major		Non-Major	Total
	General Fund	Inmate Welfare Fund	Special Revenue Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 46,084,161	\$ 7,213,990	\$ 4,895,897	\$ 58,194,048
Accounts Receivable	47,029	123,952	168,632	339,613
Interest Receivable	384	-	81	465
Prepaid Items	11,000	-	-	11,000
Due from Other Governmental Entities	430,185	-	9,508	439,693
Due from the Board of County Commissioners	743,721	-	-	743,721
Total Assets	\$ 47,316,480	\$ 7,337,942	\$ 5,074,118	\$ 59,728,540
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 2,817,447	\$ 282,071	\$ 60,201	\$ 3,159,719
Wages and Benefits Payable	14,683,898	-	-	14,683,898
Deposits	321,964	-	-	321,964
Due to Other Governmental Entities	3,030	-	1,831,943	1,834,973
Due to the Board of County Commissioners	29,237,730	-	273,491	29,511,221
Total Liabilities	47,064,069	282,071	2,165,635	49,511,775
Fund Balances:				
Nonspendable	11,000	-	-	11,000
Restricted for:				
Board of County Commissioners' Special Projects	-	-	1,014,903	1,014,903
Child Protective Investigations	-	-	1,681,982	1,681,982
Communications 911	-	-	7,944	7,944
Inmate Welfare	-	7,055,871	-	7,055,871
Misdemeanor Probation Services	-	-	203,654	203,654
Assigned for:				
Homeless Initiative Program	606	-	-	606
Mental Health Diversion Program	251,805	-	-	251,805
Unassigned	(11,000)	-	-	(11,000)
Total Fund Balances	252,411	7,055,871	2,908,483	10,216,765
Total Liabilities and Fund Balances	\$ 47,316,480	\$ 7,337,942	\$ 5,074,118	\$ 59,728,540

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Major		Non-Major	Total
	General Fund	Inmate Welfare Fund	Special Revenue Funds	Governmental Funds
Revenues:				
Intergovernmental	\$ 389,487,527	\$ -	\$ 2,600,261	\$ 392,087,788
Charges for Services	2,973,454	2,750,802	11,097,056	16,821,312
Operating Grants	1,675,455	-	3,395,687	5,071,142
Interest Earnings	340,801	31,964	2,564	375,329
Miscellaneous Income	491,059	4,468	89,783	585,310
Fines and Forfeitures	-	-	716,117	716,117
Total Revenues	<u>394,968,296</u>	<u>2,787,234</u>	<u>17,901,468</u>	<u>415,656,998</u>
Expenditures:				
General Government:				
Personal Services	14,620,510	-	-	14,620,510
Operating	313,326	-	-	313,326
Capital Outlay	62,984	-	-	62,984
Total General Government	<u>14,996,820</u>	<u>-</u>	<u>-</u>	<u>14,996,820</u>
Public Safety:				
Personal Services	279,579,054	1,317,263	13,596,672	294,492,989
Operating	57,934,163	235,955	3,387,017	61,557,135
Capital Outlay	14,812,688	186,580	2,519,675	17,518,943
Total Public Safety	<u>352,325,905</u>	<u>1,739,798</u>	<u>19,503,364</u>	<u>373,569,067</u>
Total Expenditures	<u>367,322,725</u>	<u>1,739,798</u>	<u>19,503,364</u>	<u>388,565,887</u>
Excess of Revenues Over Expenditures	<u>27,645,571</u>	<u>1,047,436</u>	<u>(1,601,896)</u>	<u>27,091,111</u>
Other Financing Sources (Uses):				
Transfer-In from the Board of County Commissioners	977,170	-	766,900	1,744,070
Distribution of Excess Revenues to the Board of County Commissioners	(29,237,655)	-	(1,150,971)	(30,388,626)
Proceeds From the Sale of Capital Assets	686,130	-	84,500	770,630
Total Other Financing Sources (Uses)	<u>(27,574,355)</u>	<u>-</u>	<u>(299,571)</u>	<u>(27,873,926)</u>
Excess of Revenues Over Expenditures and Other Financing Sources (Uses)	71,216	1,047,436	(1,901,467)	(782,815)
Fund Balance, Beginning of Fiscal Year	181,195	6,008,435	4,809,950	10,999,580
Fund Balance, End of Fiscal Year	<u>\$ 252,411</u>	<u>\$ 7,055,871</u>	<u>\$ 2,908,483</u>	<u>\$ 10,216,765</u>

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2016

Assets:

Cash and Cash Equivalents	\$	15,535,933
Accounts Receivable		688,967
Interest Receivable		<u>159</u>
Total Assets	\$	<u><u>16,225,059</u></u>

Liabilities:

Accounts Payable	\$	50,217
Claims Payable		13,408,544
Due to the Board of County Commissioners		<u>2,766,298</u>
Total Liabilities		<u>16,225,059</u>

Net Position:

Total Net Position	\$	<u><u>-</u></u>
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HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
INTERNAL SERVICE FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2016

Operating Revenues:	
Charges for Services	\$ 45,417,723
Miscellaneous Income	1,332,812
Total Operating Revenues	<u>46,750,535</u>
Operating Expenses:	
Claims Expense	41,073,620
General and Administrative	2,979,549
Total Operating Expenses	<u>44,053,169</u>
Operating Income	<u>2,697,366</u>
Nonoperating Revenues:	
Interest Earnings	68,932
Total Nonoperating Revenues	<u>68,932</u>
Change in Net Position Before Transfers	2,766,298
Transfer-Out to the Board of County Commissioners	<u>(2,766,298)</u>
Changes in Net Position	-
Net Position, Beginning of Fiscal Year	-
Net Position, End of Fiscal Year	<u>\$ -</u>

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

Cash Flows from Operating Activities:

Cash Received from Other Funds for Goods and Services	\$ 45,417,723
Cash Received from Others	721,200
Cash Payments for Claims	(42,538,529)
Cash Payments to Vendors for Goods and Services	<u>(2,972,202)</u>
Net Cash Provided by Operating Activities	<u>628,192</u>

Cash Flows from Investing Activities:

Interest Earnings	<u>68,773</u>
Net Cash Provided by Investing Activities	<u>68,773</u>

Cash Flows from Noncapital Financing Activities:

Transfer-Out to the Board of County Commissioners	<u>(4,707,533)</u>
Net Cash Used by Noncapital Financing Activities	<u>(4,707,533)</u>

Net Change in Cash and Cash Equivalents	(4,010,568)
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>19,546,501</u>
Cash and Cash Equivalents, End of Fiscal Year	<u><u>\$ 15,535,933</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 2,697,366
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Cash Resulting from Changes in:	
Accounts Receivable	(611,612)
Accounts Payable	7,347
Claims Payable	<u>(1,464,909)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 628,192</u></u>

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS

SEPTEMBER 30, 2016

Assets:

Cash and Cash Equivalents	\$	3,580,280
Accounts Receivable		8,492
Due from Other Governmental Entities		<u>19,212</u>
Total Assets	\$	<u>3,607,984</u>

Liabilities:

Due to the Board of County Commissioners	\$	185,508
Deposits		<u>3,422,476</u>
Total Liabilities	\$	<u>3,607,984</u>

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 1—Summary of Significant Accounting Policies

The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements.

Financial Reporting Entity – The Hillsborough County, Florida Sheriff (the “Sheriff”) is a separate constitutional officer as provided by Article VIII, Section 1(d), of the Florida Constitution, and for financial reporting purposes by Chapter 218, *Fla. Statutes*. In addition, for financial reporting purposes, the Sheriff is deemed to be a part of the primary government of Hillsborough County, Florida (the “County”), and is, therefore, included as such in the *Hillsborough County, Florida Comprehensive Annual Financial Report* (“CAFR”).

Basis of Presentation – The accompanying financial statements were prepared for the purpose of complying with §218.39(2), *Fla. Statutes*, and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*, which require the Sheriff to only present fund financial statements.

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Sheriff uses fund accounting to ensure and demonstrate compliance with legal, legislative, contractual, grants, and other provisions. The Sheriff’s funds may be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds are used to report most of the Sheriff’s basic services; these fund types focus on how money or other spendable financial resources flow into and out of those funds. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the Sheriff’s general operations and the basic services it provides. The measurement focus is based upon determination of changes in financial position. The following is a description of the Sheriff’s Governmental Funds:

- *General Fund* – to account for all financial resources applicable to the general operations of the Sheriff that are not required either legally or by generally accepted accounting principles (“GAAP”) to be accounted for in another fund.
- *Inmate Welfare Fund* – to account for revenues from inmate phone calls and the sale of sundry items, such as snacks and toiletry items, that is expended on inmate-related program supplies and services.
- *Non-Major Special Revenue Funds* – are all other Governmental Funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Funds are used to report functions presented as internal or external business-type activities and are classified as Internal Service Funds or Enterprise Funds, respectively. In Proprietary Funds, operating revenues and expenses are distinguished from nonoperating revenues and expenses. Operating revenues consist primarily of charges for services. Operating expenses include such items as personnel and contractual services and costs of services provided. Nonoperating revenues and expenses include operating grants and investment earnings.

The Sheriff uses Internal Service Funds to account for self-insured workers’ compensation, legal liability, and the employee medical plan. See Note 9 for more information on the funds.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 1—Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued) – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Agency Funds are the only type of Fiduciary Fund used by the Sheriff. The amounts in Agency Funds are custodial in nature and do not involve measurements of results of operations (assets equal liabilities). Agency Funds account for deposits held by the Sheriff as trustee or agent.

Measurement Focus and Basis of Accounting – Measurement Focus determines *what* is measured in a set of financial statements (economic resources or current financial resources). Basis of Accounting determines *when* recognition should take place.

Governmental Fund financial statements are presented using the Current Financial Resources Measurement Focus and the Modified Accrual Basis of Accounting. With this Measurement Focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds show increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the Modified Accrual Basis of Accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period.

In applying the susceptible-to-accrual concept to Operating Grants, there are essentially two types of revenues. In one, money must be expended for specific purposes or projects before any revenues will be received by the Sheriff; therefore, revenues are recognized based on the timing of expenditures incurred and are considered available. In the other, revenues are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the availability period is met.

The availability period used for revenue recognition under the Modified Accrual Basis of Accounting is as follows: Operating Grant revenues are recognized when eligibility requirements are met and related amounts are available from grantors. The Sheriff considers these funds available if collected within 90 days after Fiscal Year End. Investment earnings such as interest earnings are recorded as earned. Other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received.

Internal Service Fund financial statements are presented using the Economic Resources Measurement Focus and the Accrual Basis of Accounting. With the Economic Resources Measurement Focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. With the Accrual Basis of Accounting, revenues are recorded when earned and expenses are recorded at the time when liabilities are incurred. In the Internal Service Funds, operating revenues and expenses are distinguished from nonoperating revenues and expenses. Operating revenues and expenses are those transactions related to the Internal Service Funds' principal ongoing operations. Operating revenues consist primarily of charges for services. Operating expenses include such items as contractual services and costs of services provided. Nonoperating revenues and expenses are those transactions that are not directly related to the Internal Service Funds' principal activities. Nonoperating revenues consist of investment earnings. These financial statements show increases (revenues) and decreases (expenses) in net position.

Agency Fund financial statements are presented using the Accrual Basis of Accounting. Since Agency Funds do not show revenues or expenditures, a Measurement Focus is not applicable for Agency Funds.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 1—Summary of Significant Accounting Policies (continued)

Reclassifications – During the Fiscal Year ended September 30, 2016, the Sheriff decided to no longer account for “fee for service” transactions in the General Fund and Communications 911 Fund as Charges for Services and has determined it was more appropriate to present these amounts as Transfers-In from the Board of County Commissioners. There was no impact on total fund balance as a result of this reclassification.

Cash and Cash Equivalents – Cash and Cash Equivalents consist of cash on hand, bank deposits, carried at cost, and amounts on deposit in the Florida State Board of Administration (“SBA”) Florida PRIME® Fund (“Florida PRIME”), which is presented at amortized cost.

The Sheriff safeguards bank deposits in qualified public depositories. All bank deposits are insured by the Federal Deposit Insurance Corporation, up to specified limits, and secured by the multiple financial institution collateral pool established under Chapter 280, *Fla. Stat.* In accordance with these statutes, qualified public depositories are required to pledge eligible collateral in varying percentages. Any losses to public depositors are covered by applicable deposit insurance, by the sale of pledged securities, and if necessary, assessments against other qualified public depositories.

Prepaid Items – With the exception of certain transferable and refundable training and other expenditures, the cost of Prepaid Items is recorded as an expenditure at the time of payment, which is in accordance with the Purchase Method.

Other Postemployment Benefits (“OPEB”) Disclosures – The Sheriff accounts for its postemployment benefits other than pensions in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. See Note 10 for additional disclosures.

Compensated Absences – In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Sheriff determines the liability for Compensated Absences, as well as certain other salary-related costs associated with the payment of Compensated Absences that are recorded and reported by the County in its basic financial statements. Vacation leave is accrued as a liability as the benefits are earned by the employees. Sick leave is also accrued as a liability as the benefits are earned by the employees, but only to the extent that it is probable that the Sheriff will compensate the employees for the benefits through cash payments at retirement or other termination.

The Sheriff’s sick leave liability consists of Plan A and Plan B as of September 30, 2016, resulting primarily from conditions set by *Hillsborough County Civil Service Rules* (“Rules”) that went into effect on February 2, 1997. These Rules stipulated sick leave termination payments are to be made based upon which plan the employee is enrolled in as follows:

Plan A: Provides for a sick leave payment at termination for all hours of sick leave accrued up to 480 hours and half of the sick leave accrued over 960 hours.

Plan B: Provides for a sick leave payment at termination for the employee’s unused sick leave hours at February 2, 1997, with payment only for each hour of sick leave accrued up to 480 hours and half of the sick leave accrued over 960 hours.

A liability is recorded in the County’s basic financial statements for each employee who has a termination benefit under Plan A or Plan B. Employees in Plan B hired after February 2, 1997, will not receive a sick leave payment at termination; therefore, no sick leave liability is reported for these employees.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 1—Summary of Significant Accounting Policies (continued)

Compensated Absences (continued) – The Compensated Absences Liability also includes other salary-related costs associated with the payment of Compensated Absences such as the Sheriff's share of Social Security and Medicare taxes.

Capital Assets – Capital Assets are either tangible or intangible. Tangible assets include vehicles and equipment whereas intangible assets include internally or externally generated software. The Sheriff uses a capitalization threshold of \$1,000 for tangible assets and \$5,000 for intangible assets. Capital Assets:

- are recorded as Capital Outlay expenditures in the Governmental Funds at the time they are received and a liability is incurred;
- are capitalized at acquisition value in the statement of net position as part of the basic financial statements of the County;
- if acquired under capital leases they are capitalized at cost in the statement of net position of the County at the time the assets are received;
- if acquired through donation or confiscation they are recorded at fair value at the time received; and
- are depreciated using the straight-line method over the estimated useful lives of the related assets and the depreciation expense is recorded in the statement of activities as part of the basic financial statements of the County.

The Sheriff implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, prospectively, so only Intangible Assets acquired or generated on or after October 1, 2009 have been capitalized. Intangible assets are assets that lack physical substance, are non-financial in nature, and have initial useful lives of over one year. Intangible assets include internally or externally generated software, but exclude investments and capital leases. Intangible assets are capitalized and treated like Capital Assets for accounting purposes, but are amortized rather than depreciated.

There are three stages involved with regard to internally generated software; (a) the preliminary project stage includes conceptual formulation, surveying the existence of needed technology, evaluation of alternatives, and final selection of alternatives for the development of the software; (b) the application development stage includes designing the software, including configuration and interfaces, coding, installation to hardware, and testing, including the parallel processing phase; and (c) the post-implementation/operation stage includes training and software maintenance. Only application development stage costs are capitalized as Intangible Assets. Preliminary project stage costs are expensed. Data conversion is considered a part of the application development stage only to the extent it is necessary to make the software operational, that is, in condition for use. Otherwise data conversion is considered a post-implementation/operation stage activity. Purchased software is handled in the same manner as internally generated software.

During Fiscal Year Ended September 30, 2016 the Sheriff capitalized \$1,773,189 of software. See Note 4 for more information on Capital Assets.

Use of Estimates – The preparation of financial statements requires management to make use of estimates that affect reported amounts. Actual results could differ from estimates.

Funding – Substantially all of the Sheriff's funding is appropriated by the Board of County Commissioners ("BOCC"). These appropriations are classified as Intergovernmental Revenues for financial statement purposes.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 1—Summary of Significant Accounting Policies (continued)

Distribution of Excess Revenues – Florida Statutes provide that the excess of the Sheriff’s appropriations over expenditures held by the Sheriff at the end of the Fiscal Year are to be refunded to the BOCC. The amount of unrestricted excess at the end of the Fiscal Year is reported as a liability in the Balance Sheet and as a Distribution of Excess Revenues (Other Financing Uses) in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Risk Financing and Related Insurance Issues – In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the Sheriff reports liabilities for self-insured claims if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported based on an actuarial valuation at a certain date. The Sheriff reserved such liabilities as claims payable as of September 30, 2016. See Note 9 for more information on the Sheriff’s risk management activities.

Governmental Fund Balance – In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance is classified either as nonspendable or as spendable. Spendable fund balance is classified based on a hierarchy of the Sheriff’s ability to control the spending of these fund balances. The classifications are described as follows:

Nonspendable Fund Balance includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. As of September 30, 2016, the Sheriff had a nonspendable balance in its General Fund consisting of \$11,000 for prepaid subscriptions.

Restricted Fund Balance is constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or imposed by law through constitutional provisions or enabling legislation. The Sheriff had the following Restricted Fund Balance as of September 30, 2016:

<u>Fund</u>	<u>Restricted Fund Balance</u>
Major Fund:	
Inmate Welfare	\$ 7,055,871
Non-Major Special Revenue Funds:	
Board of County Commissioners' Special Projects	1,014,903
Child Protective Investigations	1,681,982
Communications 911	7,944
Misdemeanor Probation Services	203,654
Total Restricted Fund Balance:	<u>\$ 9,964,354</u>

Committed Fund Balance is constrained for specific purposes imposed by the Sheriff’s formal action of highest level of decision making authority. The Sheriff had no Committed Fund Balance as of September 30, 2016.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 1—Summary of Significant Accounting Policies (continued)

Governmental Fund Balance (continued) –

Assigned Fund Balance is intended to be used for specific purposes, but which is neither restricted nor committed. The Sheriff had the following Assigned Fund Balance as of September 30, 2016:

<u>Fund</u>	<u>Assigned Fund Balance</u>
General Fund	
Homeless Initiative Program	\$ 606
Mental Health Diversion Program	251,805
Total Assigned Fund Balance:	<u>\$ 252,411</u>

Unassigned Fund Balance represents the residual fund balance within the General Fund, which has not been assigned to other Funds and has not been restricted, committed, or assigned. In Funds other than the General Fund, Unassigned Fund Balance is limited to negative residual balances. As of September 30, 2016, the Sheriff had a negative Unassigned Fund Balance of \$11,000 as the Sheriff paid in advance for subscriptions relating to the subsequent Fiscal Year.

Subsequent Events – In accordance with GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, the Sheriff has evaluated subsequent events through December 15, 2016, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued. As a result of this evaluation, management did not conclude that any subsequent event would likely have a material impact on the Sheriff's financial statements contained herein.

Note 2—Deposits of Cash and Cash Equivalents

The Sheriff's Investment Policy is to follow the guidelines in §219.075, *Fla. Statutes*, regarding the deposit of funds received and the investment of surplus funds. §§219.075 and 218.415, *Fla. Statutes*, authorize the Sheriff to invest in Florida PRIME or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Commission ("SEC") registered money market funds with the highest quality rating from a nationally recognized rating agency; direct obligations of the United States Treasury; federal agencies and instrumentalities; or interest-bearing time deposits and savings accounts held in qualified public depositories as defined in §280.02, *Fla. Stat.*

At September 30, 2016, Cash and Cash Equivalents included \$7,053 in cash on-hand, \$17,220,672 in bank deposits, and \$60,082,536 invested in Florida PRIME. Bank deposits in qualified public depositories are insured by the Federal Deposit Insurance Corporation and covered by the state of Florida collateral pool, a multiple financial institution collateral pool established under Chapter 280, *Fla. Stat.*, with the ability to assess its members for collateral shortfalls if a member institution fails.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 2—Deposits of Cash and Cash Equivalents (continued)

In accordance with GASB Statement 79, *Certain External Investment Pools and Pool Participants*, investments are carried and reported at fair value, except for investments in 2a-7-like pools, which are reported at amortized cost. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All of the Sheriff's investment activities consisted of investments held at the SBA in Florida PRIME and are presented as Cash and Cash Equivalents.

The Sheriff's investment in Florida PRIME represents funds placed with the SBA. A 2a-7-like pool is not required to register with the SEC as an investment company, but has a policy that it operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Thus, this pool operates essentially as a money market fund. Florida PRIME has a Standard & Poor's rating of AAAM at September 30, 2016 and is measured at amortized cost.

Regulatory oversight of the SBA is provided by three state of Florida elected officials designated as trustees: the Governor serves as Chairman; the Chief Financial Officer serves as Treasurer; and the Attorney General serves as Secretary. External oversight of the SBA is provided by the Investment Advisory Council, which reviews investment performance, strategy and decision-making, and provides insight, advice and counsel on these and other matters when appropriate. The Participant Local Government Advisory Council was created to review the administration of the fund and make recommendations to the trustees. Audit oversight is provided by the Auditor General of the State of Florida.

Note 3—Due from Other Governmental Entities

Funds Due from Other Governmental Entities are amounts due from entities other than the BOCC and are owed to the Sheriff primarily as reimbursement of expenditures relating to grants, law enforcement services rendered under contractual agreements, reimbursements of task force expenditures, or reimbursements for the cost of housing federal prisoners.

Note 4—Capital Assets

Capital Assets are defined as either tangible assets with an initial, individual cost of over \$1,000 and an anticipated useful life greater than one year or intangible assets which have an individual cost of over \$5,000. Donated Capital Assets are recorded at their estimated fair value after the receipt of the asset and formal acceptance of the Sheriff. Depreciation is calculated using the straight-line method over each asset's estimated useful life. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 4—Capital Assets (continued)

All Capital Assets are recorded and capitalized at cost in the Statement of Net Position as part of the basic financial statements of the County. The Sheriff's Capital Asset activity for the Fiscal Year Ended September 30, 2016 is presented below:

	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016
Vehicles and Equipment	\$ 163,252,423	\$ 14,350,903	\$ (9,606,670)	\$ 167,996,656
Software	3,271,103	1,773,189	-	5,044,292
Accumulated Depreciation	(131,122,309)	(15,869,155)	9,329,114	(137,662,350)
Accumulated Amortization	(2,568,290)	(845,052)	-	(3,413,342)
Capital Assets, Net	<u>\$ 32,832,927</u>	<u>\$ (590,115)</u>	<u>\$ (277,556)</u>	<u>\$ 31,965,256</u>

The land and buildings used by the Sheriff, such as the main operations center, garage, detention facilities, and radio maintenance facility, are provided by the BOCC. Except for interlocal lease agreements for land and buildings used at the training facilities and related insurance expenses incurred by the Sheriff, the BOCC provides the land and buildings at no cost to the Sheriff.

Note 5—Commitments

Inmate-Related Contracts – The Sheriff has agreements for the provision of inmate medical care and food services at its detention facilities. The contracts are paid for by the Sheriff through its annual appropriations. The medical services contract was awarded on October 1, 2014 and has an initial term of three years followed by two optional one-year renewal options. Using the average daily inmate population as a basis, the future commitment to the vendor is estimated to be approximately \$22.3 million per year, with annual increases of approximately 3.5%. Inmate food services contract was awarded on October 1, 2014, with an initial term of three years followed by two optional one-year renewals. Using a cost-per-meal-per-inmate basis, the future commitment is estimated to be approximately \$3.9 million per year based upon current year experience. Both contracts are subject to appropriation and are cancellable without cause with 120 days written notice. For the Fiscal Year ended September 30, 2016 the Sheriff paid approximately \$22.4 million and \$3.9 million for inmate medical and food services, respectively.

Interlocal Agreement – In July 2006, the Sheriff entered into an interlocal lease agreement with the BOCC for office space, adjacent land, and parking lots (Pinebrooke I). The terms of the interlocal agreement require the Sheriff to pay the BOCC \$16,949,880 by making monthly lease payments for 30 years. The agreement requires that the payments be made from non-ad valorem funds such as grant or special revenues. The agreement recognizes that the ability to make payments is subject to the availability of funds and allows that should such funds not be available, the payment may be deferred until funds are available. This lease is included in the schedule of future minimum lease payments below.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 5—Commitments (continued)

Operating Leases – The Sheriff leases multiple community substations throughout Hillsborough County. These leases are cancelable if funds are not appropriated for their purpose and are not enforceable against a new administration with the exception of two interlocal agreements between the Sheriff and the BOCC for the Pinebrooke I Facility and the Walter C. Heinrich Practical Training Center. The interlocal agreement for the Pinebrooke I Facility states that repayment requirements shall survive any termination of the lease and the interlocal agreement for the Walter C. Heinrich Practical Training Center states that the Sheriff shall have the right to terminate by providing notice not less than 12 months without recourse. Rent expenditures for the Fiscal Year Ended September 30, 2016 were \$783,376.

Future minimum lease payments on operating leases with more than one year remaining at September 30, 2016 are as follows:

2017	\$ 781,160
2018	679,586
2019	660,297
2020	662,090
2021	665,003
2022 - 2026	2,824,980
2027 - 2031	2,824,980
2032 - 2036	2,824,980
Total Minimum Lease Payments	<u>\$ 11,923,076</u>

Note 6—Contingencies

Grants – The Sheriff is the recipient of grants that are subject to special compliance requirements and audits by grantor agencies as well as independent auditors. These audits may result in requests for repayments due to expenditures disallowed subsequent to September 30, 2016. These amounts constitute a contingent liability of the Sheriff. In the opinion of management, no future disallowed expenditures would be material to these financial statements. Accordingly, such liabilities are not reflected within these financial statements.

Litigation – From time to time the Sheriff is involved in certain routine litigation as plaintiff and defendant. The Sheriff has established a self-insurance fund to account for the various risks related to general liability claims. See Note 9 for more information on Legal Liability.

Note 7—Accumulated Compensated Absences

The amount of vested Accumulated Compensated Absences, based upon the Sheriff’s vacation and sick leave policy, is reported as a liability in the Statement of Net Position in the County’s basic financial statements. The following is a summary of changes in the Accumulated Compensated Absences liability:

Accumulated Compensated Absences, October 1, 2015	\$ 26,981,125
Additions	27,361,772
Reductions	<u>(30,966,196)</u>
Accumulated Compensated Absences, September 30, 2016	<u>\$ 23,376,701</u>

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 8—Employee Retirement Plans: Defined Benefit and Defined Contribution Pension Plans

Description of Plans – Essentially all full-time and part-time employees of the Sheriff are eligible to enroll as members of the state-administered Florida Retirement System (“FRS”). Provisions relating to the FRS are established by Chapters 112 (Part IV), 121, 122, and 238, *Fla. Statutes*; and *Florida Retirement System Rules*, Chapter 60S, *Florida Administrative Code*; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a cost-sharing multiple-employer public employee retirement system administered by the state of Florida. The FRS offers its members a Defined Benefit Pension Plan (“Pension Plan”), a Deferred Retirement Option Program (“DROP”), a Defined Contribution Plan, referred to as the FRS Investment Plan (“Investment Plan”), and a Retiree Health Insurance Subsidy Plan (“HIS Plan”). The Department of Management Services’ Division of Retirement administers the Pension Plan, DROP, and HIS Plan. The SBA administers the Investment Plan.

Pension Plan: Employees enrolled in the Pension Plan prior to July 1, 2011 vest at six years of creditable service and are eligible for normal retirement benefits at age 62 or at any age after 30 years of service except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. Employees enrolled in this Plan on or after July 1, 2011, vest at 8 years of creditable service and are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members classified as Special Risk are eligible for normal retirement benefits at age 60 or at any age thereafter 30 years of service. Members of this Plan may include up to 4 years of credit for military service toward creditable service. This Plan includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. This Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

Investment Plan: As provided in §121.4501, *Fla. Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the Pension Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. Contributions are made to individual member accounts, and the individual members direct their investments in these accounts, choosing from a number of diverse investment options selected and monitored by the SBA. For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings regardless of membership class.

DROP: Subject to provisions §121.091, *Fla. Statutes*, DROP is available under the Pension Plan when a member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to 60 months. While in DROP, the member’s deferred monthly retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earn monthly interest.

HIS Plan: Established under §112.363, *Fla. Statutes*, the HIS Plan provides a monthly benefit to assist retirees of state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries received a monthly HIS Plan payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to §112.363, *Fla. Statutes*. To be eligible to receive a HIS Plan benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 8—Employee Retirement Plans: Defined Benefit and Defined Contribution Pension Plans (continued)

Funding Policy – Employer and employee contribution rates are established under §121.71, *Fla. Statutes*. All participating employers must comply with statutory contribution requirements. Employer contribution rates under the uniform rate structure (a blending of both the Pension Plan and Investment Plan rates) are recommended in an annual actuarial valuation but set by the Legislature. Effective July 1, 2011, all plan members except those in DROP are required to make a 3% employee contribution on a pretax basis to the FRS. Employer contribution rates are as follows:

Employee Class or Plan	Percentage of Covered Payroll	
	July 1, 2016 - September 30, 2016 ⁽¹⁾	October 1, 2015 - June 30, 2016 ⁽²⁾
Regular	7.52%	7.26%
Regular, Other	4.49%	4.31%
Special Risk	22.57%	22.04%
Special Risk, Other	10.71%	10.65%
Senior Management	21.77%	21.43%
DROP	12.99%	12.88%
DROP Terminated - Elected Officials	8.76%	8.78%

Notes: (1) Employer rates include a 1.66% contribution for the HIS Plan. Also, employer rates other than for DROP participants, include 0.06% for administrative costs of the Investment Plan for the period through September 30, 2016.

(2) Employer rates include a 1.66% contribution for the HIS Plan. Also, employer rates other than for DROP participants, include 0.04% for administrative costs of the Investment Plan for the period through June 30, 2016.

During the Fiscal Year Ended September 30, 2016, the Sheriff contributed to the FRS an amount equal to 17.2% of covered payroll. The Sheriff's contributions to the FRS for the Fiscal Years ended September 30, 2016, 2015, and 2014 were \$36,944,939, \$33,288,136, and \$31,266,732, respectively, which were equal to the required contributions for each Fiscal Year.

The Sheriff recognizes pension expenditures in an amount equal to amounts paid to the Pension Plan, DROP, Investment Plan and the HIS Plan, totaling \$27,350,310, \$1,839,893, \$4,274,629, and \$3,480,106, respectively, for the Fiscal Year Ended September 30, 2016. The Sheriff's payments for the Pension Plan, DROP, and the HIS Plan after June 30, 2016, the measurement date used to determine the net pension liability associated with these plans, amounted to \$9,303,925. As with all long term liabilities and deferred inflows and outflows associated with governmental funds, the Sheriff's net pension liability and associated deferred outflows and deferred inflows are presented on the government-wide financial statements of the County, following requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective October 1, 2014.

Funded Status – The *FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report* for the Fiscal Year Ended June 30, 2015, available at FRS (www.dms.myflorida.com), stated in the *History of the FRS Pension Plan Unfunded Actuarial Liability / Surplus with Total Liabilities and Total Assets From 1995 Through 2015* schedule that the Pension Plan was 86.5% funded at July 1, 2015, since the total assets were \$143.2 billion compared to the liabilities of \$165.5 billion.

Additional financial information is reported in the *State of Florida Comprehensive Annual Financial Report* (www.myfloridacfo.com) and SBA's annual financial statements (www.sbafla.com).

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 9—Risk Management

The Sheriff is exposed to various risks of loss related to injuries to employees; torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. As permitted by Florida law, the Sheriff is self-insured against general liability and automotive liability with limited liability per §768.28, *Fla. Statutes*, of \$200,000 per person and \$300,000 per occurrence. Negligence claims in excess of the statutory limits can only be recovered through federal lawsuits or acts of the Florida Legislature. The Sheriff is also self-insured for workers' compensation and a medical plan for its eligible employees and their dependents, and certain former employees.

Based on actuarial estimates, liabilities have been established in the self-insurance funds for claims reported but not paid, and incurred but not reported. In addition, premiums charged to participating funds are recorded as revenues in the self-insurance funds and as insurance assessment expenditures in the participating funds. This note provides the disclosures required by GASB Statement No. 10.

Legal Liability – During 2008, the Sheriff established a self-insurance program for general liability claims. Legal liability claims are administered internally. The liabilities currently provided are based upon the Sheriff's estimate after considering the available facts. The claims estimation process involves substantial uncertainties, including the ultimate outcome of certain legal actions that may affect the adequacy of amounts provided; however, management believes the amounts provided are appropriate.

Medical Plan ("Plan") – Effective October 1, 2011, the Sheriff established an Internal Service Fund to account for the revenues, expenditures, and net position related to medical insurance provided as a benefit to employees. The Sheriff entered into an administrative services agreement with a commercial insurance carrier to provide administrative support for the Plan. The responsibilities of the Sheriff include the determination of benefit rights, development of rules and regulations as deemed necessary to carry out the provisions of the Plan, and reimbursement of all claim payments to the third-party administrator of the Plan. The Sheriff is self-insured up to the point of coverage under stop-loss insurance which covers claims in excess of \$1,000,000.

Workers' Compensation – Effective October 1, 2006, the Sheriff established an Internal Service Fund where assets are set aside to pay workers' compensation claims. Prior to October 1, 2006, a fully insured workers' compensation program was in effect; accordingly, the Sheriff retains no future liabilities or reserve requirements related to claims incurred prior to October 1, 2006.

The following schedule represents the changes in claims liability for the past two Fiscal Years for the Sheriff's self-insured programs:

	Legal Liability	Medical Plan	Workers'	
	Fund	Fund	Compensation	Total
	Fund	Fund	Fund	
Balance at October 1, 2014	\$ 2,133,299	\$ 4,817,000	\$ 8,514,889	\$ 15,465,188
Claims and Changes in Estimates	734,955	34,633,515	2,657,832	38,026,302
Claims Payments	<u>(749,410)</u>	<u>(34,726,515)</u>	<u>(3,142,112)</u>	<u>(38,618,037)</u>
Balance at October 1, 2015	2,118,844	4,724,000	8,030,609	14,873,453
Claims and Changes in Estimates	362,512	37,893,490	2,817,618	41,073,620
Claims Payments	<u>(747,026)</u>	<u>(37,852,490)</u>	<u>(3,939,013)</u>	<u>(42,538,529)</u>
Balance at September 30, 2016	<u>\$ 1,734,330</u>	<u>\$ 4,765,000</u>	<u>\$ 6,909,214</u>	<u>\$ 13,408,544</u>

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 10—Other Postemployment Benefits (“OPEB”)

OPEB Plan Description – The Sheriff provides medical-related benefits to eligible retirees, dependents and certain former employees: (a) the Sheriff is required by §112.0801, *Fla. Statutes* to allow retirees and certain former employees and eligible dependents to continue to participate in the Sheriff’s self-insured health and hospitalization plan for medical and prescription drug coverage at the same group insurance rates that current employees are charged. Although retirees pay for healthcare at group rates, they are receiving a valuable benefit because these rates are typically lower than the rates associated with the experience rating for their age bracket. The availability of this lower cost medical insurance represents an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees; (b) in addition to the implicit subsidy, the Sheriff provides health insurance stipends (“HIS”) of \$5 for each year of service. HIS are payable to regular retired employees ages 62 to 65 and to special risk retirees from ages 55 to 65. Participants do not have to take medical coverage to receive HIS, but they must have been eligible for medical coverage at retirement.

Annual OPEB Cost and Net OPEB Obligation – The Sheriff engaged an actuarial firm to determine the actuarial accrued liability (AAL) which approximates the present value of future expected postemployment medical premiums, associated administrative costs and stipend payments. For the Fiscal Year Ended September 30, 2016 the AAL was estimated to be \$47,458,525. The actuary also estimated the Annual Required Contribution (ARC) for funding this obligation. The annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis:

- is projected to cover Normal Cost (current and future benefits earned) each year;
- will amortize any unfunded actuarial liabilities over a period of time not to exceed 30 years; and
- is the portion of the total actuarial accrued liability allocated to the Fiscal Year Ended September 30, 2016.

The Sheriff’s estimated ARC for Fiscal Year 2016 was \$4,142,686. The Sheriff’s annual OPEB cost, which is defined as annual OPEB expense on an accrual basis, was \$4,193,845 as of September 30, 2016.

The Net OPEB Obligation (NOO) is the net amount for which the Sheriff would be obligated and is equivalent to the ARC less retiree claims and HIS to be paid by the Sheriff. The NOO, at the end of the Fiscal Year, is the net amount the Sheriff was obligated to fund at Fiscal Year End. It is equivalent to the annual OPEB cost for the Fiscal Year, plus the NOO at the start of the Fiscal Year less contributions such as retiree claims and stipends paid by the Sheriff during the Fiscal Year.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 10—Other Postemployment Benefits (“OPEB”) (continued)

Annual OPEB Cost and Net OPEB Obligation (continued) – The inter-relationships between the ARC, annual OPEB cost, and net OPEB obligation are presented in the table below:

Fiscal Year Ended September 30, 2016	
Annual Required Contribution	\$ 4,142,686
Interest on Net OPEB Obligation (Asset)	289,106
Amortization of Net OPEB Obligation	(237,947)
Annual OPEB Cost	<u>\$ 4,193,845</u>
Less Contributions	<u>(2,043,690)</u>
Change in Net OPEB Obligation	\$ 2,150,155
Net OPEB Obligation, Beginning of Year	6,424,579
Net OPEB Obligation, End of Year	<u>\$ 8,574,734</u>

The Sheriff's Annual OPEB Cost, OPEB contributions net of amounts received from retirees, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation as of the Fiscal Year Ended September 30, 2016 and the two preceding Fiscal Years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Net Contribution</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2016	\$ 4,193,845	\$ 2,043,690	48.7%	\$ 8,574,734
September 30, 2015	3,934,198	2,043,690	51.9%	6,424,579
September 30, 2014	4,275,466	3,362,248	78.6%	4,534,071

The Sheriff recognizes OPEB expenditures as amounts are funded. The amount of ARC in excess of contributions funded is a long-term obligation and, accordingly, is presented on the government-wide statement of net position in the County's basic financial statements.

Funding Policy, Status, and Progress – For the Other Postemployment Benefits Plan (“OPEB Plan”), contribution requirements of the Sheriff are established and may be amended through recommendations of the Sheriff. Under GASB Statement No. 45, in order for OPEB obligations to be considered funded, an irrevocable trust fund must be used. Since that would be considered very restrictive, the Sheriff has not advanced-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. For the Fiscal Year Ended September 30, 2016, the Sheriff provided contributions toward annual OPEB costs, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), retention costs, and HIS payments (net of retiree contributions) totaling \$2,043,690. Required contributions are based on a projected pay-as-you-go financing.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

Note 10—Other Postemployment Benefits (“OPEB”) (continued)

The following table shows the funding progress as of September 30, 2016 and the two preceding Fiscal Years:

	Actuarial Valuation Date		
	September 30, 2016	September 30, 2015	September 30, 2014
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial accrued liability	\$ 47,458,525	\$ 45,218,093	\$ 48,285,596
Unfunded actuarial accrued liability	\$ 47,458,525	\$ 45,218,093	\$ 48,285,596
Funded ratio	0.0%	0.0%	0.0%
Covered payroll	\$ 211,556,179	\$ 205,669,544	\$ 205,056,695
Unfunded actuarial accrued liability as a percentage of covered payroll	22.4%	22.0%	23.5%

Actuarial Methods and Assumptions – The calculation of these actuarial estimates is based on a number of estimates and assumptions, including interest rates on investments, the healthcare cost trend, future employment and average retirement age, life expectancy, and healthcare costs per employee, many of which factors are subject to future economic and demographic variations. Amounts determined regarding the funded status of the OPEB 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.

Projections for benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. 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, consistent with the long-term perspective of the calculations.

Actuarial Methods and Assumptions (continued) – The entry age actuarial cost method was used to estimate the Unfunded Actuarial Accrued Liability and to determine the ARC. Other actuarial assumptions included a 4.5% discount rate; an initial pre-Medicare annual healthcare cost trend rate of 6.5%, and an initial post-Medicare annual healthcare cost trend rate of 6% grading to an ultimate rate of 5% for the Fiscal Year Ending September 30, 2022 and later. The Sheriff’s Unfunded Actuarial Accrued Liability is being amortized on a closed-basis over 27 years as a level percentage of payroll assumed to grow 4.5% per year.

The Sheriff has made total payments to the County’s Self-Insurance Internal Service Fund for OPEB in the amount of \$2,150,155 for the Fiscal Year Ended September 30, 2016. However, the amount considered to be “funded” was zero (\$0) since these funds have not been placed in an irrevocable trust fund. Refer to the County’s CAFR for the Fiscal Year Ended September 30, 2016 for more detailed information on the funding status for the County as a whole.

REQUIRED SUPPLEMENTARY INFORMATION

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)***FISCAL YEAR ENDED SEPTEMBER 30, 2016*

	Budgeted		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 389,426,318	\$ 389,487,527	\$ 389,487,527	\$ -
Charges for Services	-	-	1,153,883	1,153,883
Interest Earnings	-	-	340,801	340,801
Miscellaneous Income	-	-	490,699	490,699
Total Revenues	<u>389,426,318</u>	<u>389,487,527</u>	<u>391,472,910</u>	<u>1,985,383</u>
Expenditures:				
Current:				
General Government:				
Personal Services	14,905,920	14,852,920	14,620,510	232,410
Operating	450,205	410,205	313,326	96,879
Capital Outlay	5,000	98,000	62,984	35,016
Total General Government	<u>15,361,125</u>	<u>15,361,125</u>	<u>14,996,820</u>	<u>364,305</u>
Public Safety:				
Personal Services	300,506,392	293,923,601	277,328,668	16,594,933
Operating	64,040,378	64,040,378	56,301,031	7,739,347
Capital Outlay	9,518,423	16,162,423	14,292,040	1,870,383
Total Public Safety	<u>374,065,193</u>	<u>374,126,402</u>	<u>347,921,739</u>	<u>26,204,663</u>
Total Expenditures	<u>389,426,318</u>	<u>389,487,527</u>	<u>362,918,559</u>	<u>26,568,968</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>28,554,351</u>	<u>28,554,351</u>
Other Financing Sources (Uses):				
Distribution of Excess Revenues to the Board of County Commissioners	-	-	(29,201,975)	(29,201,975)
Proceeds From the Sale of Capital Assets	-	-	648,230	648,230
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(28,553,745)</u>	<u>(28,553,745)</u>
Net Change in Fund Balances	-	-	606	606
Fund Balance, Beginning of Fiscal Year	-	-	-	-
Fund Balance, End of Fiscal Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 606</u>	<u>\$ 606</u>

See Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund (Budgetary Basis).

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)

FISCAL YEAR ENDED SEPTEMBER 30, 2016

Note 1—Budgetary Process and Requirement

The Sheriff follows the procedures noted below in establishing the budget as reflected in the financial statements:

- Prior to May 1, the Sheriff submits to the BOCC a tentative budget for the ensuing Fiscal Year.
- A public hearing is conducted to obtain taxpayer comments.
- At the public hearing, the BOCC may amend, modify, increase, or reduce the tentative budget.
- The Sheriff has 30 days to appeal budget changes.
- Prior to October 1, the budget is legally enacted through the passage of a resolution by the BOCC.
- Formal budgetary control is maintained during the Fiscal Year for certain Governmental Fund types as further described in Note 2, below.

Actual expenditures may not exceed budget appropriations at the fund level. Appropriations lapse at the end of the Fiscal Year for governmental funds to the extent they have not been expended.

Note 2—Budgetary Information

An annual budget is adopted for the General Fund. The budget is prepared on a basis of accounting that differs from financial statement presentation because revenues and related expenditures are not budgeted for operating grants, certain law enforcement services, telephone commissions, and proceeds from the sale of capital assets. Adjustments necessary to convert the results of operations at the end of the Fiscal Year from the budgetary basis of accounting to GAAP are as follows:

	<u>Budgetary Basis</u>	<u>Reclassifications</u>	<u>GAAP Basis</u>
General Fund:			
Revenues:			
Charges for Services	\$ 1,153,883	\$ 1,819,571	\$ 2,973,454
Operating Grants	-	1,675,455	1,675,455
Miscellaneous Income	490,699	360	491,059
Expenditures:			
Public Safety:			
Personal Services	277,328,668	2,250,386	279,579,054
Operating	56,301,031	1,633,132	57,934,163
Capital Outlay	14,292,040	520,648	14,812,688
Other Financing Sources (Uses):			
Distribution of Excess Revenues to the Board of County Commissioners	(29,201,975)	(35,680)	(29,237,655)
Proceeds From the Sale of Capital Assets	648,230	37,900	686,130

An annual budget is adopted by the BOCC for the Special Use Fund; annual budgets are not adopted by the BOCC for the Inmate Welfare Fund, Non-Major Special Revenue Funds, or for Internal Service Funds maintained by the Sheriff.

OTHER FINANCIAL INFORMATION

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
FUND DESCRIPTIONS

SEPTEMBER 30, 2016

Non-Major Special Revenue Funds

BOCC Special Projects Fund – accounts for any funds received, that are restricted by their revenue source, which can only be expended on certain major maintenance and renovation projects.

Child Protective Investigations Fund – accounts for the Division of Child Protective Investigations' operations.

Communications 911 Fund – accounts for the Sheriff's 911 communications center operations.

Misdemeanor Probation Services Fund – accounts for the revenues and expenditures related to the Sheriff's activities related to the provision of misdemeanor probation services.

Special Use Fund – accounts for specific revenues designated for law enforcement.

Internal Service Funds

Legal Liability Fund – accounts for revenues, expenditures, net position, and cash flows related to the Sheriff's self-insurance program for legal liability.

Medical Plan Fund – accounts for revenues, expenditures, net position, and cash flows related to the Sheriff's self-insurance employee medical plan.

Workers' Compensation Fund – accounts for revenues, expenditures, net position, and cash flows related to the Sheriff's self-insurance program for workers' compensation.

Agency Funds

Cash Bond Fund – accounts for bail bond deposit and refund activity as directed by the courts.

Flexible Spending Accounts Fund – accounts for flexible spending plan funds held on behalf of participating employees.

Inmate Accounts Fund – accounts for funds held on behalf of inmates.

Trust Fund – accounts for revenues collected by the Sheriff and remitted to the BOCC, evidence money, abandoned property, and other miscellaneous deposits held on behalf of others.

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING BALANCE SHEET – NON-MAJOR SPECIAL REVENUE FUNDS**

SEPTEMBER 30, 2016

	Board of County Commissioners' Special Projects	Child Protective Investigations	Communications 911
ASSETS			
Cash and Cash Equivalents	\$ 1,068,693	\$ 3,334,965	\$ 7,944
Accounts Receivable	-	-	-
Interest Receivable	-	81	-
Due from Other Governmental Entities	-	-	-
Total Assets	\$ 1,068,693	\$ 3,335,046	\$ 7,944
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 53,790	\$ 4,786	\$ -
Due to Other Governmental Entities	-	1,648,278	-
Due to the Board of County Commissioners	-	-	-
Total Liabilities	53,790	1,653,064	-
Fund Balances:			
Restricted for:			
Board of County Commissioners' Special Projects	1,014,903	-	-
Child Protective Investigations	-	1,681,982	-
Communications 911	-	-	7,944
Misdemeanor Probation Services	-	-	-
Total Fund Balances	1,014,903	1,681,982	7,944
Total Liabilities and Fund Balances	\$ 1,068,693	\$ 3,335,046	\$ 7,944

(Continued)

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING BALANCE SHEET – NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)**

SEPTEMBER 30, 2016

	Misdemeanor Probation Services	Special Use	Total
ASSETS			
Cash and Cash Equivalents	\$ 221,391	\$ 262,904	\$ 4,895,897
Accounts Receivable	167,388	1,244	168,632
Interest Receivable	-	-	81
Due from Other Governmental Entities	-	9,508	9,508
Total Assets	\$ 388,779	\$ 273,656	\$ 5,074,118
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 1,460	\$ 165	\$ 60,201
Due to Other Governmental Entities	183,665	-	1,831,943
Due to the Board of County Commissioners	-	273,491	273,491
Total Liabilities	185,125	273,656	2,165,635
Fund Balances:			
Restricted for:			
Board of County Commissioners' Special Projects	-	-	1,014,903
Child Protective Investigations	-	-	1,681,982
Communications 911	-	-	7,944
Misdemeanor Probation Services	203,654	-	203,654
Total Fund Balances	203,654	-	2,908,483
Total Liabilities and Fund Balances	\$ 388,779	\$ 273,656	\$ 5,074,118

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – NON-MAJOR SPECIAL REVENUE FUNDS***FISCAL YEAR ENDED SEPTEMBER 30, 2016*

	Board of County Commissioners' Special Projects	Child Protective Investigations	Communications 911
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for Services	-	9,109,536	-
Operating Grants	-	3,395,687	-
Interest Earnings	-	2,564	-
Miscellaneous Income	-	30,163	147
Fines and Forfeitures	-	-	-
Total Revenues	<u>-</u>	<u>12,537,950</u>	<u>147</u>
Expenditures:			
Personal Services	-	10,506,139	673,695
Operating	-	1,655,298	93,917
Capital Outlay	<u>2,158,912</u>	<u>328,857</u>	<u>-</u>
Total Expenditures	<u>2,158,912</u>	<u>12,490,294</u>	<u>767,612</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,158,912)</u>	<u>47,656</u>	<u>(767,465)</u>
Other Financing Sources (Uses):			
Transfer-In from the Board of County Commissioners	-	-	766,900
Distribution of Excess Revenues to the Board of County Commissioners	-	-	-
Proceeds from the Sale of Capital Assets	-	<u>6,700</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>6,700</u>	<u>766,900</u>
Net Change in Fund Balance	(2,158,912)	54,356	(565)
Fund Balance, Beginning of Fiscal Year	<u>3,173,815</u>	<u>1,627,626</u>	<u>8,509</u>
Fund Balance, End of Fiscal Year	<u>\$ 1,014,903</u>	<u>\$ 1,681,982</u>	<u>\$ 7,944</u>

(Continued)

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)***FISCAL YEAR ENDED SEPTEMBER 30, 2016*

	Misdemeanor Probation Services	Special Use	Total
Revenues:			
Intergovernmental	\$ -	\$ 2,600,261	\$ 2,600,261
Charges for Services	1,940,598	46,922	11,097,056
Operating Grants	-	-	3,395,687
Interest Earnings	-	-	2,564
Miscellaneous Income	-	59,473	89,783
Fines and Forfeitures	-	716,117	716,117
Total Revenues	<u>1,940,598</u>	<u>3,422,773</u>	<u>17,901,468</u>
Expenditures:			
Personal Services	1,501,538	915,300	13,596,672
Operating	235,406	1,402,396	3,387,017
Capital Outlay	-	31,906	2,519,675
Total Expenditures	<u>1,736,944</u>	<u>2,349,602</u>	<u>19,503,364</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>203,654</u>	<u>1,073,171</u>	<u>(1,601,896)</u>
Other Financing Sources (Uses):			
Transfer-In from the Board of County Commissioners	-	-	766,900
Distribution of Excess Revenues to the Board of County Commissioners	-	(1,150,971)	(1,150,971)
Proceeds from the Sale of Capital Assets	-	77,800	84,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,073,171)</u>	<u>(299,571)</u>
Net Change in Fund Balance	203,654	-	(1,901,467)
Fund Balance, Beginning of Fiscal Year	-	-	4,809,950
Fund Balance, End of Fiscal Year	<u>\$ 203,654</u>	<u>\$ -</u>	<u>\$ 2,908,483</u>

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SPECIAL USE FUND***FISCAL YEAR ENDED SEPTEMBER 30, 2016*

	Budgeted		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 2,564,687	\$ 2,600,261	\$ 2,600,261	\$ -
Charges for Services	-	-	46,922	46,922
Miscellaneous Income	-	-	59,473	59,473
Fines and Forfeitures	-	-	716,117	716,117
Total Revenues	<u>2,564,687</u>	<u>2,600,261</u>	<u>3,422,773</u>	<u>822,512</u>
Expenditures:				
Public Safety:				
Personal Services	915,300	915,300	915,300	-
Operating	1,649,387	1,649,387	1,402,396	246,991
Capital Outlay	-	35,574	31,906	3,668
Total Expenditures	<u>2,564,687</u>	<u>2,600,261</u>	<u>2,349,602</u>	<u>250,659</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>1,073,171</u>	<u>1,073,171</u>
Other Financing Sources (Uses):				
Distribution of Excess Revenues to the Board of County Commissioners	-	-	(1,150,971)	(1,150,971)
Proceeds from the Sale of Capital Assets	-	-	77,800	77,800
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,073,171)</u>	<u>(1,073,171)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Fiscal Year	-	-	-	-
Fund Balance, End of Fiscal Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS**

SEPTEMBER 30, 2016

	<u>Legal Liability</u>	<u>Medical Plan</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 1,643,131	\$ 7,581,469	\$ 6,311,333	\$15,535,933
Accounts Receivable	91,155	-	597,812	688,967
Interest Receivable	44	46	69	159
Total Assets	<u>\$ 1,734,330</u>	<u>\$ 7,581,515</u>	<u>\$ 6,909,214</u>	<u>\$16,225,059</u>
Liabilities:				
Accounts Payable	\$ -	\$ 50,217	\$ -	\$ 50,217
Claims Payable	1,734,330	4,765,000	6,909,214	13,408,544
Due to the Board of County Commissioners	-	2,766,298	-	2,766,298
Total Liabilities	<u>1,734,330</u>	<u>7,581,515</u>	<u>6,909,214</u>	<u>16,225,059</u>
Net Position:				
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
INTERNAL SERVICE FUNDS***FISCAL YEAR ENDED SEPTEMBER 30, 2016*

	<u>Legal Liability</u>	<u>Medical Plan</u>	<u>Workers’ Compensation</u>	<u>Total Internal Service Funds</u>
Operating Revenues:				
Charges for Services	\$ 338,433	\$43,240,803	\$ 1,838,487	\$45,417,723
Miscellaneous Income	24,224	-	1,308,588	1,332,812
Total Operating Revenues	<u>362,657</u>	<u>43,240,803</u>	<u>3,147,075</u>	<u>46,750,535</u>
Operating Expenses:				
Claims Expense	362,512	37,893,490	2,817,618	41,073,620
General and Administrative	1,531	2,606,706	371,312	2,979,549
Total Operating Expenses	<u>364,043</u>	<u>40,500,196</u>	<u>3,188,930</u>	<u>44,053,169</u>
Operating Income (Loss)	<u>(1,386)</u>	<u>2,740,607</u>	<u>(41,855)</u>	<u>2,697,366</u>
Nonoperating Revenue:				
Interest Earnings	1,386	25,691	41,855	68,932
Total Nonoperating Revenues	<u>1,386</u>	<u>25,691</u>	<u>41,855</u>	<u>68,932</u>
Changes in Net Position Before Transfers	<u>-</u>	<u>2,766,298</u>	<u>-</u>	<u>2,766,298</u>
Transfer-Out to the Board of County Commissioners	<u>-</u>	<u>(2,766,298)</u>	<u>-</u>	<u>(2,766,298)</u>
Changes in Net Position	-	-	-	-
Net Position, Beginning of Fiscal Year	-	-	-	-
Net Position, End of Fiscal Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Legal Liability</u>	<u>Medical Plan</u>	<u>Workers' Compensation</u>	<u>Total Internal Service Funds</u>
Cash Flows from Operating Activities:				
Cash Received from Other Funds for Goods and Services	\$ 338,433	\$43,240,803	\$ 1,838,487	\$45,417,723
Cash Received from Others	(24,559)	-	745,759	721,200
Cash Payments for Claims	(747,026)	(37,852,490)	(3,939,013)	(42,538,529)
Cash Payments to Vendors for Goods and Services	(1,531)	(2,599,359)	(371,312)	(2,972,202)
Net Cash Provided by (Used in) Operating Activities	<u>(434,683)</u>	<u>2,788,954</u>	<u>(1,726,079)</u>	<u>628,192</u>
Cash Flows from Investing Activities:				
Interest Earnings	1,342	25,645	41,786	68,773
Net Cash Provided by Investing Activities	<u>1,342</u>	<u>25,645</u>	<u>41,786</u>	<u>68,773</u>
Cash Flows from Noncapital Financing Activities:				
Transfer-Out to the Board of County Commissioners	-	(4,707,533)	-	(4,707,533)
Net Cash Used in Noncapital Financing Activities	<u>-</u>	<u>(4,707,533)</u>	<u>-</u>	<u>(4,707,533)</u>
Net Change in Cash and Cash Equivalents	(433,341)	(1,892,934)	(1,684,293)	(4,010,568)
Cash and Cash Equivalents, Beginning of Fiscal Year	2,076,472	9,474,403	7,995,626	19,546,501
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 1,643,131</u>	<u>\$ 7,581,469</u>	<u>\$ 6,311,333</u>	<u>\$ 15,535,933</u>
Reconciliation of Operating Income (Loss) to				
Net Cash Provided by (Used in) Operating activities:				
Operating Income (Loss)	\$ (1,386)	\$ 2,740,607	\$ (41,855)	\$ 2,697,366
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided by (Used in) Operating Activities:				
Increase (Decrease) in Cash Resulting from				
Changes in:				
Accounts Receivable	(48,783)	-	(562,829)	(611,612)
Accounts Payable	-	7,347	-	7,347
Claims Payable	(384,514)	41,000	(1,121,395)	(1,464,909)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (434,683)</u>	<u>\$ 2,788,954</u>	<u>\$ (1,726,079)</u>	<u>\$ 628,192</u>

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS***FISCAL YEAR ENDED SEPTEMBER 30, 2016*

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2016</u>
Cash Bond Fund				
Assets:				
Cash and Cash Equivalents	\$ 2,003,989	\$ 2,951,242	\$ (3,039,736)	\$ 1,915,495
Total Assets	<u>\$ 2,003,989</u>	<u>\$ 2,951,242</u>	<u>\$ (3,039,736)</u>	<u>\$ 1,915,495</u>
Liabilities:				
Deposits	\$ 2,003,989	\$ 2,950,597	\$ (3,039,091)	\$ 1,915,495
Total Liabilities	<u>\$ 2,003,989</u>	<u>\$ 2,950,597</u>	<u>\$ (3,039,091)</u>	<u>\$ 1,915,495</u>
Flexible Spending Accounts Fund				
Assets:				
Cash and Cash Equivalents	\$ 238,962	\$ 1,472,665	\$ (1,449,814)	\$ 261,813
Total Assets	<u>\$ 238,962</u>	<u>\$ 1,472,665</u>	<u>\$ (1,449,814)</u>	<u>\$ 261,813</u>
Liabilities:				
Accounts Payable	\$ -	\$ 712,456	\$ (712,456)	\$ -
Deposits	238,962	746,449	(723,598)	261,813
Total Liabilities	<u>\$ 238,962</u>	<u>\$ 1,458,905</u>	<u>\$ (1,436,054)</u>	<u>\$ 261,813</u>
Inmate Accounts Fund				
Assets:				
Cash and Cash Equivalents	\$ 31,518	\$ 8,019,970	\$ (7,927,908)	\$ 123,580
Accounts Receivable	17,570	4,404,504	(4,413,649)	8,425
Total Assets	<u>\$ 49,088</u>	<u>\$ 12,424,474</u>	<u>\$ (12,341,557)</u>	<u>\$ 132,005</u>
Liabilities:				
Deposits	\$ 49,088	\$ 4,657,581	\$ (4,574,664)	\$ 132,005
Total Liabilities	<u>\$ 49,088</u>	<u>\$ 4,657,581</u>	<u>\$ (4,574,664)</u>	<u>\$ 132,005</u>

(Continued)

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS (CONTINUED)***FISCAL YEAR ENDED SEPTEMBER 30, 2016*

	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016
Trust Fund				
Assets:				
Cash and Cash Equivalents	\$ 1,012,899	\$ 3,788,767	\$ (3,522,274)	\$ 1,279,392
Accounts Receivable	171	172,632	(172,736)	67
Due from Other Governmental Entities	14,708	19,212	(14,708)	19,212
Total Assets	<u>\$ 1,027,778</u>	<u>\$ 3,980,611</u>	<u>\$ (3,709,718)</u>	<u>\$ 1,298,671</u>
Liabilities:				
Accounts Payable	\$ -	\$ 643,628	\$ (643,628)	\$ -
Due to Other Governmental Entities	-	2,803,432	(2,803,432)	-
Due to the Board of County Commissioners	-	2,099,311	(1,913,803)	185,508
Deposits	1,027,778	1,620,496	(1,535,111)	1,113,163
Total Liabilities	<u>\$ 1,027,778</u>	<u>\$ 7,166,867</u>	<u>\$ (6,895,974)</u>	<u>\$ 1,298,671</u>
Total Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 3,287,368	\$ 16,232,644	\$ (15,939,732)	\$ 3,580,280
Accounts Receivable	17,741	4,577,136	(4,586,385)	8,492
Due from Other Governmental Entities	14,708	19,212	(14,708)	19,212
Total Assets	<u>\$ 3,319,817</u>	<u>\$ 20,828,992</u>	<u>\$ (20,540,825)</u>	<u>\$ 3,607,984</u>
Liabilities:				
Accounts Payable	\$ -	\$ 1,356,084	\$ (1,356,084)	\$ -
Due to Other Governmental Entities	-	2,803,432	(2,803,432)	-
Due to the Board of County Commissioners	-	2,099,311	(1,913,803)	185,508
Deposits	3,319,817	9,975,123	(9,872,464)	3,422,476
Total Liabilities	<u>\$ 3,319,817</u>	<u>\$ 16,233,950</u>	<u>\$ (15,945,783)</u>	<u>\$ 3,607,984</u>

SUPPLEMENTARY REPORTS

**Report of Independent Auditor 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***

To the Honorable David A. Gee,
Sheriff
Hillsborough 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 each major fund and the aggregate remaining fund information of the Hillsborough County, Florida Sheriff (the "Sheriff") as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2016, for the purpose of compliance with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's 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.

Cherry Bekant LLP

Tampa, Florida
December 15, 2016

Independent Auditor's Management Letter

To the Honorable David A. Gee,
Sheriff
Hillsborough County, Florida

Report on the Financial Statements

We have audited the financial statements of the Hillsborough County, Florida Sheriff (the "Sheriff"), as of and for the Fiscal Year Ended September 30, 2016 and have issued our report thereon dated December 15, 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; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have issued our Report of Independent Auditor 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* and our Report of Independent Accountant on Compliance With Local Government Investment Policies, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated December 15, 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. No recommendations were 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 the management letter, unless disclosed in the notes to the financial statements. The Sheriff was established by Article VIII, Section 1(d), of the Florida Constitution. There are no component units related to the Sheriff.

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, we did not have any such recommendations.

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

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, *Rules of the Auditor General*. Accordingly, this management letter is not suitable for any other purpose.

Cherry Bekant LLP

Tampa, Florida
December 15, 2016

**Report of Independent Accountant on Compliance With
Local Government Investment Policies**

To the Honorable David A. Gee,
Sheriff
Hillsborough County, Florida

Report on Compliance

We have examined the Hillsborough County, Florida Sheriff's (the "Sheriff") compliance with the local government policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2016. Management is responsible for the Sheriff's compliance with those requirements. Our responsibility is to express an opinion on the Sheriff's compliance based on our examination.

Scope

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

Opinion

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



Tampa, Florida
December 15, 2016