

**HILLSBOROUGH COUNTY, FLORIDA
SHERIFF**

FINANCIAL STATEMENTS

As of and for the Year Ended September 30, 2018

And Reports of Independent Auditor

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
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Report of Independent Auditor

The Honorable Chad G. Chronister
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, 2018, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance 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, 2018, 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 Matters

Basis of Presentation

As discussed in Note 1, 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 (the "Rules"). In accordance 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, 2018, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 Required Supplementary Information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 18, 2018, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Sheriff's 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 18, 2018

FINANCIAL STATEMENTS

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
BALANCE SHEET – GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	Major		Non-Major	Total
	General Fund	Inmate Welfare Fund	Special Revenue Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 41,654,281	\$ 9,464,715	\$ 4,656,184	\$ 55,775,180
Accounts Receivable	78,943	127,050	7,243	213,236
Interest Receivable	228	-	-	228
Prepaid Items	1,077,222	-	58,816	1,136,038
Due from Other Governmental Entities	2,093,792	-	1,211,701	3,305,493
Due from the Board of County Commissioners	666,553	-	144,155	810,708
Total Assets	<u>\$ 45,571,019</u>	<u>\$ 9,591,765</u>	<u>\$ 6,078,099</u>	<u>\$ 61,240,883</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 2,968,692	\$ 397,187	\$ 465,164	\$ 3,831,043
Wages and Benefits Payable	9,021,087	39,263	297,067	9,357,417
Deposits	348,399	-	-	348,399
Due to Other Governmental Entities	3,072	-	871,319	874,391
Due to the Board of County Commissioners	31,562,651	-	640,314	32,202,965
Total Liabilities	<u>43,903,901</u>	<u>436,450</u>	<u>2,273,864</u>	<u>46,614,215</u>
Deferred Inflows of Resources:				
Deferred Inflows of Resources	<u>1,275,791</u>	<u>-</u>	<u>-</u>	<u>1,275,791</u>
Fund Balances:				
Nonspendable	1,077,222	-	58,816	1,136,038
Restricted for:				
Board of County Commissioners' Special Projects	-	-	1,529,374	1,529,374
Child Protective Investigations	-	-	1,551,957	1,551,957
Communications 911	-	-	56,125	56,125
Inmate Welfare	-	9,155,315	-	9,155,315
Misdemeanor Probation Services	-	-	666,779	666,779
Unassigned	(685,895)	-	(58,816)	(744,711)
Total Fund Balances	<u>391,327</u>	<u>9,155,315</u>	<u>3,804,235</u>	<u>13,350,877</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 45,571,019</u>	<u>\$ 9,591,765</u>	<u>\$ 6,078,099</u>	<u>\$ 61,240,883</u>

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

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

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Major		Non-Major	Total
	General Fund	Inmate Welfare Fund	Special Revenue Funds	Governmental Funds
Revenues:				
Intergovernmental	\$ 415,735,550	\$ -	\$ 3,255,970	\$ 418,991,520
Charges for Services - Board of County Commissioners	1,838,793	-	766,900	2,605,693
Charges for Services - Other	4,784,779	2,876,540	10,847,805	18,509,124
Operating Grants	1,234,970	-	4,632,699	5,867,669
Interest Earnings	1,327,990	157,400	584	1,485,974
Miscellaneous Income	672,484	6,355	138,403	817,242
Fines and Forfeitures	62,089	-	616,786	678,875
Total Revenues	425,656,655	3,040,295	20,259,147	448,956,097
Expenditures:				
General Government:				
Personal Services	17,762,070	-	-	17,762,070
Operating	260,493	-	-	260,493
Capital Outlay	10,488	-	-	10,488
Total General Government	18,033,051	-	-	18,033,051
Public Safety:				
Personal Services	296,120,546	1,807,205	14,350,048	312,277,799
Operating	62,445,935	346,081	3,505,205	66,297,221
Capital Outlay	13,948,666	-	2,471,198	16,419,864
Total Public Safety	372,515,147	2,153,286	20,326,451	394,994,884
Total Expenditures	390,548,198	2,153,286	20,326,451	413,027,935
Excess of Revenues over Expenditures	35,108,457	887,009	(67,304)	35,928,162
Other Financing Sources (Uses):				
Transfers-In from the Board of County Commissioners	200,000	-	-	200,000
Distribution of Excess Revenues to the Board of County Commissioners	(35,228,167)	-	(1,422,997)	(36,651,164)
Proceeds from the Sale of Capital Assets	22,032	-	120,183	142,215
Total Other Financing Sources (Uses)	(35,006,135)	-	(1,302,814)	(36,308,949)
Net Change in Fund Balance	102,322	887,009	(1,370,118)	(380,787)
Fund Balance, Beginning of Fiscal Year	289,005	8,268,306	5,174,353	13,731,664
Fund Balance, End of Fiscal Year	\$ 391,327	\$ 9,155,315	\$ 3,804,235	\$ 13,350,877

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

SEPTEMBER 30, 2018

ASSETS

Cash and Cash Equivalents	\$ 16,492,017
Accounts Receivable	122,602
Total Assets	<u>\$ 16,614,619</u>

LIABILITIES

Accounts Payable	\$ 72,539
Wages and Benefits Payable	574
Claims Payable	12,892,010
Due to the Board of County Commissioners	3,649,496
Total Liabilities	<u>16,614,619</u>

NET POSITION

Total Net Position	<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, 2018

Operating Revenues:	
Charges to Other Funds for Services	\$ 52,729,746
Miscellaneous Income	26,305
Total Operating Revenues	<u>52,756,051</u>
Operating Expenses:	
Claims Expense	45,920,481
Personal Services	89,149
General and Administrative	3,310,466
Total Operating Expenses	<u>49,320,096</u>
Operating Income	<u>3,435,955</u>
Nonoperating Revenues:	
Interest Earnings	213,541
Total Nonoperating Revenues	<u>213,541</u>
Changes in Net Position Before Transfers	3,649,496
Transfers-Out to the Board of County Commissioners	<u>(3,649,496)</u>
Change 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, 2018

Cash Flows from Operating Activities:

Cash Received from Other Funds for Goods and Services	\$ 52,729,746
Cash Received from Others	119,358
Cash Payments for Claims	(46,135,187)
Cash Payments to Vendors for Goods and Services	(3,323,074)
Cash Payments to Employees for Services	(88,575)
Net Cash Provided by Operating Activities	<u>3,302,268</u>

Cash Flows from Investing Activities:

Interest Earnings	<u>213,541</u>
Net Cash Provided by Investing Activities	<u>213,541</u>

Cash Flows from Noncapital Financing Activities:

Transfers-Out to the Board of County Commissioners	<u>(6,270,210)</u>
Net Cash Used in Noncapital Financing Activities	<u>(6,270,210)</u>

Net Change in Cash and Cash Equivalents	(2,754,401)
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>19,246,418</u>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 16,492,017</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ 3,435,955
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Cash Resulting from Changes in:	
Accounts Receivable	(43,320)
Accounts Payable	22,299
Wages and Benefits Payable	574
Due to Other Governmental Entities	(34,906)
Claims Payable	(78,334)
Net Cash Provided by Operating Activities	<u>\$ 3,302,268</u>

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS

SEPTEMBER 30, 2018

ASSETS

Cash and Cash Equivalents	\$	947,451
Accounts Receivable		36,037
Total Assets	\$	<u>983,488</u>

LIABILITIES

Deposits	\$	<u>983,488</u>
Total Liabilities	\$	<u>983,488</u>

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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, *Florida 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), *Florida 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 financial 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, and is expended in 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 medical plan. See Note 11—Risk Management for more information.

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.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 1—Summary of Significant Accounting Policies (continued)

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.

During the fiscal year ended September 30, 2018, the Sheriff began recording “fees for service” transactions as Charges for Services - Other in the General Fund and transferring them to the Board of County Commissioners (“BOCC”) on a monthly basis. As a result, the BOCC no longer records these fees as revenues but as transfers-in from the Sheriff. As these revenues are transferred to the BOCC, there was no impact on total fund balance as a result of this change.

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, 2018

Note 1—Summary of Significant Accounting Policies (continued)

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, *Florida Statutes*. 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 – Prepaid Items consist of payments to vendors which reflect costs applicable to future accounting periods. Prepaid Items are recorded as expenditures over the period of their economic benefit. See Note 4—Prepaid Items for more information.

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, 2018, 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.

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. See Note 8—Accumulated Compensated Absences for more information.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 1—Summary of Significant Accounting Policies (continued)

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. 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. See Note 5—Capital Assets for more information.

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 after acceptance by the Sheriff; 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, 2018, the Sheriff capitalized \$265,115 of software.

Deferred Inflows of Resources – In accordance with items GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Sheriff reports Deferred Inflows of Resources when receivables have been reported but the related revenues are not yet available; deferred inflows of resources are reported until such time as the revenue becomes available.

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.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 1—Summary of Significant Accounting Policies (continued)

Funding – Substantially all of the Sheriff’s funding is appropriated by the BOCC. These appropriations are classified as Intergovernmental revenue for financial statement purposes.

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 Due to the BOCC in the Balance Sheet and a Distribution of Excess Revenues to the BOCC 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, 2018. See Note 11—Risk Management for more information.

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

Nonspendable Fund Balances include amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The Sheriff had nonspendable fund balance consisting of \$1,136,038 for prepaid technology maintenance agreements as of September 30, 2018. See *Unassigned Fund Balance*, below, for more information.

Restricted Fund Balances are 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 Balances as of September 30, 2018:

Fund	Restricted Fund Balances
Major Fund:	
Inmate Welfare	\$ 9,155,315
Non-Major Special Revenue Funds:	
Board of County Commissioners' Special Projects	1,529,374
Child Protective Investigations	1,551,957
Communications 911	56,125
Misdemeanor Probation Services	666,779
Total Restricted Fund Balances	<u>\$ 12,959,550</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, 2018.

Assigned Fund Balances are intended to be used for specific purposes, but is neither restricted nor committed. The Sheriff had no Assigned Fund Balances as of September 30, 2018.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 1—Summary of Significant Accounting Policies (continued)

Governmental Fund Balance (continued) –

Unassigned Fund Balances represent 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. The Sheriff has the following negative Unassigned Fund Balances as of September 30, 2018, due to the prepayment of certain expenses. See more information as more fully described in Note 4—Prepaid Items:

<u>Fund</u>	<u>Unassigned Fund Balances</u>
Governmental Funds:	
General	\$ (685,895)
Misdemeanor Probation Services	(58,816)
Total Unassigned Fund Balances	<u>\$ (744,711)</u>

The Sheriff uses restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents or contracts prohibiting this, such as grant agreements requiring dollar for dollar spending of restricted and unrestricted amounts.

The Sheriff considers restricted funds to be used first when an expenditure is incurred and both restricted and unrestricted funds are available, followed by committed, assigned, and then unassigned, as applicable.

Subsequent Events – The Sheriff has evaluated subsequent events through December 18, 2018, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Note 2—Cash and Cash Equivalents

The Sheriff follows the guidelines in §219.075, *Florida Statutes*, regarding the deposit of funds received and the investment of surplus funds. §§219.075 and 218.415, *Florida 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, *Florida Statutes*.

At September 30, 2018, Cash and Cash Equivalents included \$10,117 in cash on-hand, \$10,984,471 in deposits and \$62,220,060 invested in Florida PRIME. Total bank balances were \$16,596,377 for deposits. 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, *Florida Statutes*, with the ability to assess its members for collateral shortfalls if a member institution fails.

GASB Statement 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Accordingly, the Sheriff measures its investments in Florida PRIME at amortized cost.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 2—Cash and Cash Equivalents (continued)

Florida PRIME is not registered with the SEC as an investment company but, nevertheless, has a policy that it will, and does, operate as a qualifying external investment pool. Therefore, Florida PRIME operates essentially as a money market fund. Florida PRIME has a Standard & Poor's Rating of AAAM at September 30, 2018. There are currently no limitations as to the frequency of redemptions; however, Florida PRIME has the ability to impose restrictions on withdrawals should a material event occur. Detailed information on the withdrawal restrictions that may be imposed and Florida PRIME's responsibilities should such an event occur is described in §218.409(8)(a), *Florida Statutes*.

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—Prepaid Items

For the fiscal year ended September 30, 2018, the total amount reported as Prepaid Items primarily consists of payments for technology maintenance agreements and software licenses/subscriptions which provide an economic benefit applicable to future accounting periods. The cost of prepaid items in all funds is recorded as an expense at the time the items are consumed (consumption method). The amount of prepaid items as of September 30, 2018, is as follows:

General Fund	\$ 1,077,222
Misdemeanor Probation Services Fund	58,816
Total Prepaid Items	<u>\$ 1,136,038</u>

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 5—Capital Assets

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, 2018, is presented below:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018
Vehicles and Equipment	\$ 171,505,364	\$ 15,731,335	\$ (13,632,863)	\$ 173,603,836
Software	5,787,529	265,115	-	6,052,644
Accumulated Depreciation	(143,022,816)	(14,259,378)	13,431,904	(143,850,290)
Accumulated Amortization	(4,203,063)	(805,960)	-	(5,009,023)
Capital Assets, Net	<u>\$ 30,067,014</u>	<u>\$ 931,112</u>	<u>\$ (200,959)</u>	<u>\$ 30,797,167</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 6—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 inmate medical care contract was awarded on October 1, 2014 and extended for two additional one-year terms beginning October 1, 2017. Using the average daily inmate population as a basis, the future commitment to the vendor is estimated to be approximately \$25 million per year. The inmate food services contract was awarded on October 1, 2014 and renewed on October 1, 2017 for an additional three years with an option of two one-year extensions. Using a cost-per-meal-per-inmate basis, the future commitment is estimated to be approximately \$4.2 million per year based upon average daily inmate population. Both contracts are subject to appropriation and are cancellable without cause with 120 days written notice. For the fiscal year ended September 30, 2018, the Sheriff paid approximately \$24.3 million and \$4.2 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.

Operating Leases – The Sheriff leases multiple community substations throughout Hillsborough County. These leases are cancelable if funds are not appropriated for their purpose. 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. Lease expenditures for interlocal agreements and non-interlocal agreements for the fiscal year ended September 30, 2018, were \$656,516 and \$125,737, respectively.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 6—Commitments (continued)

Future minimum lease payments on operating leases with more than one year remaining are as follows for the years ending September 30:

2019	\$ 772,163
2020	764,830
2021	771,143
2022	591,744
2023	564,996
2024-2028	2,824,980
2029-2033	2,824,980
2034-2036	1,600,822
Total Minimum Future Lease Payments	<u>\$ 10,715,658</u>

Note 7—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, 2018. 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 11—Risk Management for more information.

Note 8—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, 2017	\$ 23,364,940
Additions	36,709,113
Deletions	(37,181,681)
Accumulated Compensated Absences, September 30, 2018	<u>\$ 22,892,372</u>

Note 9—Deferred Inflows of Resources

During the fiscal year ended September 30, 2017, the Sheriff expended \$1,738,051 related to overtime and repair costs incurred due to Hurricane Irma. In January 2018, the Sheriff submitted applications for reimbursement through the Federal Emergency Management Agency ("FEMA") Public Assistance Grant Program. During the fiscal year ended September 30, 2018, the Sheriff received \$31,263 in reimbursements approved by FEMA and by the Florida Department of Emergency Management and anticipates receiving \$1,275,791 by September 2019. As such, the Sheriff has recorded this amount as Deferred Inflows of Resources in the General Fund as of September 30, 2018.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 10—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, *Florida 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 (“Subsidy”). The Department of Management Services’ Division of Retirement administers the Pension Plan, DROP, and the Subsidy. 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 eight 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 four 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, *Florida 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, *Florida Statutes*, DROP is available when a Pension Plan member first reaches eligibility for normal retirement. DROP allows the 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 and accrue interest.

Subsidy: Established under §112.363, *Florida Statutes*, the Subsidy 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 Subsidy 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, *Florida Statutes*. To be eligible to receive the Subsidy 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, 2018

Note 10—Employee Retirement Plans: Defined Benefit and Defined Contribution Pension Plans (continued)

Funding Policy – Employer and employee contribution rates are established under §121.71, *Florida 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 pre-tax basis to the FRS. Employer contribution rates are as follows:

Employee Class or Plan	Percentage of Covered Payroll ⁽¹⁾	
	July 1, 2018 - September 30, 2018	October 1, 2017 - June 30, 2018
Regular	8.26%	7.92%
Regular, Rehired Retirees	5.16%	4.96%
Special Risk	24.50%	23.27%
Special Risk, Rehired Retirees	12.26%	11.35%
Senior Management	24.06%	22.71%
DROP	14.03%	13.26%
DROP Terminated - Elected Officials	9.62%	9.09%

⁽¹⁾ Employer rates include a 1.66% contribution for the Subsidy. Also, employer rates other than for DROP participants, include the 0.06% for administrative costs of the Investment Plan.

During the fiscal year ended September 30, 2018, the Sheriff contributed to the FRS an amount equal to 19.03% of covered payroll. The Sheriff's contributions to the FRS for the fiscal years ended September 30, 2018, 2017, and 2016 were \$41,844,253, \$39,292,424, and \$36,944,939, 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 Subsidy totaling approximately \$31,043,139, \$1,880,315, \$5,269,973, and \$3,650,826, respectively, for the fiscal year ended September 30, 2018. The Sheriff's payments for the Pension Plan, DROP, and the Subsidy after June 30, 2018, the measurement date used to determine the net pension liability associated with these plans, amounted to approximately \$10,280,251. The Sheriff is not legally required to and does not accumulate expendable available resources to liquidate the retirement obligation related to its employees. Accordingly, the 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, 2017, 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 1997 Through 2017* schedule that the Pension Plan was 84.3% funded at July 1, 2017, since the total assets were \$150.6 billion compared to the liabilities of \$178.6 billion.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

**Note 10—Employee Retirement Plans: Defined Benefit and Defined Contribution Pension Plans
(continued)**

Additional financial information is reported in the *State of Florida Comprehensive Annual Financial Report* (at www.myfloridacfo.com/transparency/statereports.aspx) and the *Florida Retirement System Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report* (at www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports).

Note 11—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 and automotive liability with limited liability, per §768.28, *Florida 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, 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, *Accounting and Financial Reporting for Risk Financing and Related Issues*.

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.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 11—Risk Management (continued)

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

	<u>Legal Liability</u>	<u>Medical Plan</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance at October 1, 2016	\$ 1,734,330	\$ 4,765,000	\$ 6,909,214	\$ 13,408,544
Claims and Changes in Estimates	321,948	39,662,253	2,227,420	42,211,621
Claims Payments	<u>(759,317)</u>	<u>(39,526,253)</u>	<u>(2,364,251)</u>	<u>(42,649,821)</u>
Balance at October 1, 2017	1,296,961	4,901,000	6,772,383	12,970,344
Claims and Changes in Estimates	1,257,432	43,059,397	1,740,024	46,056,853
Claims Payments	<u>(1,292,687)</u>	<u>(43,111,397)</u>	<u>(1,731,103)</u>	<u>(46,135,187)</u>
Balance at September 30, 2018	<u>\$ 1,261,706</u>	<u>\$ 4,849,000</u>	<u>\$ 6,781,304</u>	<u>\$ 12,892,010</u>

On October 1, 2018, the Sheriff established a self-insurance program for short-term disability claims.

Note 12—Other Postemployment Benefits (OPEB)

OPEB Plan Description – The Sheriff provides health-related benefits to eligible retirees, dependents, and certain former employees: (a) the Sheriff is required by §112.0801, *Florida Statutes*, to allow retirees, certain former employees, and eligible dependents to buy healthcare coverage at not more than the group insurance rates offered to current employees (although retirees pay for healthcare at group rates, they are receiving a valuable benefit because they can buy insurance at costs that are lower than the costs associated with the experience rating for their age bracket.); and the availability of this lower cost health insurance represents an “implicit subsidy” for retirees; (b) the Sheriff offers a health insurance stipend (“Stipend”) for each year of service to eligible retirees; the Stipend increased from \$6 to \$8 as of October 1, 2017 up to a maximum of \$240 per month. The Stipend is payable to retired regular employees and senior management ages 62 to 65 and to retired special risk employees from ages 55 to 65. Eligible retirees must be participating in a health insurance program to receive the Subsidy. The Stipend is to be used to offset the cost of health insurance. Although the implicit subsidy is required by state law when healthcare is offered as an employee benefit, both the Subsidy and the Stipend may be cancelled or reduced at any time. Substantially all full-time employees may qualify for these OPEB benefits. As of September 30, 2018, the OPEB Plan covered approximately 3,180 active employees and 425 inactive employees or beneficiaries. The Sheriff does not issue separate OPEB Plan financial statements. As a result, all required disclosures are included in this note.

Actuarial Method and Assumptions – The total OPEB liability was actuarially determined based on roll forward actuarial assumptions. September 30, 2018 was used as the measurement date for the actuarial report. Projections of benefits for financial reporting purposes were based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used in the OPEB Plan valuation were based on the roll forward from September 30, 2017 valuation.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 12—Other Postemployment Benefits (OPEB) (continued)

The entry age actuarial cost method was used in the actuarial valuation. Other actuarial assumptions included a 3.64% discount rate, a 4.5% average salary increase, and an initial annual healthcare cost trend rate of approximately 6.0% (approximately 5.5% post-Medicare) grading down to an ultimate rate of 5.0%. In addition, the average expected remaining service life of employees at September 30, 2018, was 11.2 years. Mortality rates were based on the Generation RP-2014 with Projection Scale MP-2016 tables.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.64%) or 1-percentage point higher (3.64%) than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Net OPEB Liability	\$ 64,168,258	\$ 55,718,792	\$ 48,986,434

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	Healthcare Cost		
	1% Decrease (5% Decreasing to 4%)	Trend Rate (6% Decreasing to 5%)	1% Increase (7% Decreasing to 6%)
Net OPEB Liability	\$ 47,462,927	\$ 55,718,792	\$ 66,733,566

Funding Policy, Status, and Progress – In order for OPEB obligations to be considered funded, an irrevocable trust fund must be established. Since that would be considered very restrictive, the Sheriff did not “fund” the net OPEB obligation, but instead chose to set aside amounts annually in the County’s Self-Insurance Internal Service Fund so the net OPEB liability will be completely offset by cash and investments within 30 years. Fair value was used to value the cash and investments set aside.

OPEB Liabilities – At September 30, 2018, the Sheriff’s actuarially determined net OPEB liability was \$55,718,792. Total and net OPEB liabilities were measured as of September 30, 2018, and the components presented on government-wide financial statements of the County are as follows:

Total OPEB Liability	\$ 55,718,792
Plan Fiduciary Net Position	-
Net OPEB Liability	<u>\$ 55,718,792</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0%
Covered Payroll (Active Plan Members)	\$ 224,482,192
Net OPEB Liability as a Percentage of Covered Payroll	24.8%

* Although \$13,960,878 has been set aside in the County’s Self-Insurance Internal Service Fund, which covers 25.1% of the Sheriff’s net OPEB liability of \$55,718,792 at September 30, 2018, the amount considered to be funded was zero since an irrevocable trust fund was not established. The Sheriff’s ability to access the \$13,960,878, which is recorded as an asset of the BOCC, is subject to future approval by the BOCC.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 12—Other Postemployment Benefits (OPEB) (continued)

Changes in the Total OPEB liability and Net OPEB liability presented on government-wide financial statements of the County are as follows:

Net OPEB Liability	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at October 1, 2017	\$ 52,872,320	\$ -	\$ 52,872,320
Changes for the Fiscal Year:			
Service Cost	2,460,492	-	2,460,492
Interest	1,968,482	-	1,968,482
Changes of Benefit Terms	924,783	-	924,783
Contributions - Employer	-	2,507,285	(2,507,285)
Benefit Payments	(2,507,285)	(2,507,285)	-
Net Changes	2,846,472	-	2,846,472
Balance at September 30, 2018	<u>\$ 55,718,792</u>	<u>\$ -</u>	<u>\$ 55,718,792</u>

Note that there is little activity in the Plan Fiduciary Net Position column as the OPEB Plan is not considered funded since OPEB cash and investments set aside for the OPEB Plan are not held in an irrevocable trust fund.

Contributions and Benefit Payments – Benefit payments consist of assessments made to participating funds as well as claims paid to retirees participating in the Medical Plan. The level of assessments are set annually by Sheriff’s management with the objective of meeting retiree health claims and stipends as well as building up reserves to pay future retiree health claims and stipends as recommended by the actuarial calculation. There are no statutory or other legally-required contribution levels. Total contributions to the County were \$2,507,285 for fiscal year 2018.

Each fund was assessed its share of OPEB costs based on an allocation of salary expenditures. Assessments were then placed in the County’s Self-Insurance Internal Service Fund. It is the Sheriff’s intent to continue setting aside additional money each year. The Sheriff, however, has no legal or contractual obligation to do so.

Discount Rate – Since the OPEB Plan was not considered funded, GASB Statement 75 requires that the plan’s discount rate be obtained using the index rate for 20-year, tax exempt general obligation AA municipal bonds. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The roll-forward discount rate of 3.64% was used at September 30, 2018.

OPEB Expense – For the year ended September 30, 2018, the Sheriff’s actuarially determined OPEB expense was \$4,391,818. Changes in net OPEB liability are recognized in OPEB expense on the County’s government-wide financial statements during the fiscal year except as indicated in the section on Deferred Outflows/Inflows of Resources below.

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

Note 12—Other Postemployment Benefits (OPEB) (continued)

Deferred Outflows/Inflows of Resources – “Deferred Outflows of Resources” are a consumption of net position by the Sheriff that is applicable to a future reporting period. “Deferred Inflows of Resources” are an acquisition of net position by the Sheriff that is applicable to a future reporting period. The balance of OPEB expense will be amortized by the County as deferred outflows or inflows of resources using a systematic and rational method over a closed period, as defined below:

- (a) Differences between expected and actual experience regarding economic and demographic factors are amortized by the County over the average expected remaining service life of all employees that are provided with OPEB through the OPEB Plan, including both active and inactive employees.
- (b) Changes in assumptions or other inputs are amortized by the County over the average expected remaining service life of all employees covered by the OPEB Plan, including both active and inactive employees.
- (c) Differences between projected and actual earnings on OPEB Plan investments are amortized by the County over five years.

Deferred outflows and deferred inflows of resources related to OPEB reported on the County’s government-wide financial statements are from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ (378,994)
Changes of Benefit Terms	924,783	-
Total Deferred OPEB Amounts	<u>\$ 924,783</u>	<u>\$ (378,994)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to the OPEB Plan will be recognized in OPEB Expense on the County’s government-wide financial statements as follows for the years ending September 30:

2019	\$ 45,414
2020	45,414
2021	45,414
2022	45,414
2023	45,414
Thereafter	318,719

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, 2018

	Budgeted		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 415,735,550	\$ 415,735,550	\$ 415,735,550	\$ -
Charges for Services - Other	-	-	2,072,653	2,072,653
Operating Grants	-	-	31,263	31,263
Interest Earnings	-	-	1,327,990	1,327,990
Miscellaneous Income	-	-	669,835	669,835
Fines and Forfeitures	-	-	62,089	62,089
Total Revenues	<u>415,735,550</u>	<u>415,735,550</u>	<u>419,899,380</u>	<u>4,163,830</u>
Expenditures:				
General Government:				
Personal Services	18,404,675	18,404,675	17,762,070	642,605
Operating	338,935	338,935	260,493	78,442
Capital Outlay	24,975	24,975	10,488	14,487
Total General Government	<u>18,768,585</u>	<u>18,768,585</u>	<u>18,033,051</u>	<u>735,534</u>
Public Safety:				
Personal Services	319,446,665	315,421,665	291,942,008	23,479,657
Operating	65,553,015	66,553,015	61,250,183	5,302,832
Capital Outlay	11,967,285	14,992,285	13,457,243	1,535,042
Total Public Safety	<u>396,966,965</u>	<u>396,966,965</u>	<u>366,649,434</u>	<u>30,317,531</u>
Total Expenditures	<u>415,735,550</u>	<u>415,735,550</u>	<u>384,682,485</u>	<u>31,053,065</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>35,216,895</u>	<u>35,216,895</u>
Other Financing Sources (Uses):				
Distribution of Excess Revenues to the Board of County Commissioners	-	-	(35,228,167)	(35,228,167)
Proceeds from the Sale of Capital Assets	-	-	10,076	10,076
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(35,218,091)</u>	<u>(35,218,091)</u>
Net Change in Fund Balance	-	-	(1,196)	(1,196)
Fund Balance, Beginning of Fiscal Year	-	-	3,971	3,971
Fund Balance, End of Fiscal Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,775</u>	<u>\$ 2,775</u>

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

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)

FISCAL YEAR ENDED SEPTEMBER 30, 2018

Note 1—Budgetary Process and Requirement

Pursuant to §129.03, *Florida Statutes* and applicable BOCC Resolutions, the Sheriff follows the procedures noted below in establishing the budget:

- A two year budget is prepared on a biennial basis for submission to the BOCC. In the second year of the biennial process, an adjusted budget is prepared for submission to the BOCC.
- On or before May 1st, the Sheriff submits a tentative budget to the BOCC for the ensuing year.
- Public hearings are conducted by the BOCC to obtain taxpayer comments. At the final public hearing held in September, the BOCC may amend, modify, increase, or reduce the tentative budget.
- The budget is adopted by the BOCC in September and the Sheriff has 30 days to appeal changes.
- Prior to October 1st, the budget is legally enacted through the passage of a resolution by the BOCC.
- Formal budgetary control is maintained during the fiscal year for all appropriated funds within governmental fund types.

Actual expenditures may not exceed budget appropriations at the fund or character (personal services, operating expenditures or capital outlay) 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 by the BOCC 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, forfeitures, proceeds from the sale of capital assets, and other miscellaneous revenues. 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>
Revenues:			
Charges for Services - BOCC	\$ -	\$ 1,838,793	\$ 1,838,793
Charges for Services - Other	2,072,653	2,712,126	4,784,779
Operating Grants	31,263	1,203,707	1,234,970
Miscellaneous Income	669,835	2,649	672,484
Expenditures:			
Public Safety:			
Personal Services	291,942,008	4,178,538	296,120,546
Operating	61,250,183	1,195,752	62,445,935
Capital Outlay	13,457,243	491,423	13,948,666
Other Financing Sources (Uses):			
Transfers-In from the Board of County Commissioners	-	200,000	200,000
Proceeds from the Sale of Capital Assets	10,076	11,956	22,032

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

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****SCHEDULE AND NOTES TO SHERIFF'S NET OPEB LIABILITY AND RELATED RATIOS***FISCAL YEAR ENDED SEPTEMBER 30, 2018*

Net OPEB Liability	2018	2017
Service Cost	\$ 2,460,492	\$ 2,271,843
Interest	1,968,482	1,909,215
Changes of Benefit Terms	924,783	-
Differences Between Expected and Actual Experience	-	(416,150)
Benefit Payments	<u>(2,507,285)</u>	<u>(2,143,391)</u>
Net Change in Total OPEB Liability	2,846,472	1,621,517
Net OPEB Liability, Beginning of Fiscal Year	<u>52,872,320</u>	<u>51,250,803</u>
Net OPEB Liability, End of Fiscal Year	<u>\$ 55,718,792</u>	<u>\$ 52,872,320</u>
Covered Employee Payroll	\$ 224,482,192	\$ 216,666,784
Net OPEB Liability as a Percentage of Covered Employee Payroll	24.8%	24.4%

Note: The data for this table was not available prior to fiscal year 2017.

Notes to Net OPEB Liability and Related Ratios

Funding Policy – The OPEB Plan's funding policy is "pay-as-you-go" and does not accumulate assets within a trust to pay related benefits.

Changes of Benefit Terms – Amounts presented reflect an increase in the retirees' health insurance stipend from \$6 to \$8 as of October 1, 2017, up to a maximum of \$240.

OTHER FINANCIAL INFORMATION

HILLSBOROUGH COUNTY, FLORIDA
SHERIFF
FUND DESCRIPTIONS

SEPTEMBER 30, 2018

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 operations of the Child Protective Investigations Division.

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

Misdemeanor Probation Services Fund – accounts for the revenues and expenditures associated with the Sheriff's activities related to the operations of the Misdemeanor Probation Services Section.

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, 2018

	BOCC Special Projects Fund	Child Protective Investigations Fund	Communications 911 Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,887,898	\$ 1,480,236	\$ 70,836
Accounts Receivable	-	-	-
Prepaid Items	-	-	-
Due from Other Governmental Entities	-	1,195,414	-
Due from the Board of County Commissioners	-	-	-
Total Assets	<u>\$ 1,887,898</u>	<u>\$ 2,675,650</u>	<u>\$ 70,836</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 358,184	\$ 7,013	\$ -
Wages and Benefits Payable	-	245,701	14,711
Due to Other Governmental Entities	340	870,979	-
Due to the Board of County Commissioners	-	-	-
Total Liabilities	<u>358,524</u>	<u>1,123,693</u>	<u>14,711</u>
Fund Balances:			
Nonspendable	-	-	-
Restricted for:			
Board of County Commissioners' Special Projects	1,529,374	-	-
Child Protective Investigations	-	1,551,957	-
Communications 911	-	-	56,125
Misdemeanor Probation Services	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>1,529,374</u>	<u>1,551,957</u>	<u>56,125</u>
Total Liabilities and Fund Balances	<u>\$ 1,887,898</u>	<u>\$ 2,675,650</u>	<u>\$ 70,836</u>

(Continued)

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

SEPTEMBER 30, 2018

	Misdemeanor Probation		
	Services Fund	Special Use Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 501,451	\$ 715,763	\$ 4,656,184
Accounts Receivable	-	7,243	7,243
Prepaid Items	58,816	-	58,816
Due from Other Governmental Entities	-	16,287	1,211,701
Due from the Board of County Commissioners	144,155	-	144,155
Total Assets	<u>\$ 704,422</u>	<u>\$ 739,293</u>	<u>\$ 6,078,099</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 988	\$ 98,979	\$ 465,164
Wages and Benefits Payable	36,655	-	297,067
Due to Other Governmental Entities	-	-	871,319
Due to the Board of County Commissioners	-	640,314	640,314
Total Liabilities	<u>37,643</u>	<u>739,293</u>	<u>2,273,864</u>
Fund Balances:			
Nonspendable	58,816	-	58,816
Restricted for:			
Board of County Commissioners' Special Projects	-	-	1,529,374
Child Protective Investigations	-	-	1,551,957
Communications 911	-	-	56,125
Misdemeanor Probation Services	666,779	-	666,779
Unassigned	(58,816)	-	(58,816)
Total Fund Balances	<u>666,779</u>	<u>-</u>	<u>3,804,235</u>
Total Liabilities and Fund Balances	<u>\$ 704,422</u>	<u>\$ 739,293</u>	<u>\$ 6,078,099</u>

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS***FISCAL YEAR ENDED SEPTEMBER 30, 2018*

	BOCC Special Projects Fund	Child Protective Investigations Fund	Communications 911 Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for Services - Board of County Commissioners	-	-	766,900
Charges for Services - Other	-	8,912,113	-
Operating Grants	-	4,632,699	-
Interest Earnings	354	230	-
Miscellaneous Income	61,133	8,887	560
Fines and Forfeitures	-	-	-
Total Revenues	<u>61,487</u>	<u>13,553,929</u>	<u>767,460</u>
Expenditures:			
Personal Services	-	11,484,096	716,988
Operating	22,525	1,596,277	32,809
Capital Outlay	1,398,910	630,382	-
Total Expenditures	<u>1,421,435</u>	<u>13,710,755</u>	<u>749,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,359,948)</u>	<u>(156,826)</u>	<u>17,663</u>
Other Financing Sources (Uses):			
Distribution of Excess Revenues to the Board of County Commissioners	(4,885)	-	-
Proceeds from the Sale of Capital Assets	-	61,290	-
Total Other Financing Sources (Uses)	<u>(4,885)</u>	<u>61,290</u>	<u>-</u>
Net Change in Fund Balance	(1,364,833)	(95,536)	17,663
Fund Balance, Beginning of Fiscal Year	<u>2,894,207</u>	<u>1,647,493</u>	<u>38,462</u>
Fund Balance, End of Fiscal Year	<u>\$ 1,529,374</u>	<u>\$ 1,551,957</u>	<u>\$ 56,125</u>

(Continued)

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)***FISCAL YEAR ENDED SEPTEMBER 30, 2018*

	Misdemeanor Probation Services Fund	Special Use Fund	Total
Revenues:			
Intergovernmental	\$ -	\$ 3,255,970	\$ 3,255,970
Charges for Services - Board of County Commissioners	-	-	766,900
Charges for Services - Other	1,883,360	52,332	10,847,805
Operating Grants	-	-	4,632,699
Interest Earnings	-	-	584
Miscellaneous Income	112	67,711	138,403
Fines and Forfeitures	-	616,786	616,786
Total Revenues	<u>1,883,472</u>	<u>3,992,799</u>	<u>20,259,147</u>
Expenditures:			
Personal Services	1,671,349	477,615	14,350,048
Operating	139,535	1,714,059	3,505,205
Capital Outlay	-	441,906	2,471,198
Total Expenditures	<u>1,810,884</u>	<u>2,633,580</u>	<u>20,326,451</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>72,588</u>	<u>1,359,219</u>	<u>(67,304)</u>
Other Financing Sources (Uses):			
Distribution of Excess Revenues to the Board of County Commissioners	-	(1,418,112)	(1,422,997)
Proceeds from the Sale of Capital Assets	-	58,893	120,183
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,359,219)</u>	<u>(1,302,814)</u>
Net Change in Fund Balance	72,588	-	(1,370,118)
Fund Balance, Beginning of Fiscal Year	<u>594,191</u>	<u>-</u>	<u>5,174,353</u>
Fund Balance, End of Fiscal Year	<u>\$ 666,779</u>	<u>\$ -</u>	<u>\$ 3,804,235</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, 2018*

	Budgeted		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,255,970	\$ 3,255,970	\$ 3,255,970	\$ -
Charges for Services - Other	-	-	52,332	52,332
Miscellaneous Income	-	-	67,711	67,711
Fines and Forfeitures	-	-	616,786	616,786
Total Revenues	<u>3,255,970</u>	<u>3,255,970</u>	<u>3,992,799</u>	<u>736,829</u>
Expenditures:				
Personal Services	1,097,615	1,097,615	477,615	620,000
Operating	1,415,960	1,415,960	1,714,059	(298,099)
Capital Outlay	742,395	742,395	441,906	300,489
Total Expenditures	<u>3,255,970</u>	<u>3,255,970</u>	<u>2,633,580</u>	<u>622,390</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>1,359,219</u>	<u>1,359,219</u>
Other Financing Sources (Uses):				
Distribution of Excess Revenues to the Board of County Commissioners	-	-	(1,418,112)	(1,418,112)
Proceeds from the Sale of Capital Assets	-	-	58,893	58,893
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,359,219)</u>	<u>(1,359,219)</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, 2018

	Legal Liability	Medical Plan	Workers'	
	Fund	Fund	Compensation	Total
	Fund	Fund	Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 1,471,479	\$ 6,569,520	\$ 8,451,018	\$ 16,492,017
Accounts Receivable	120,227	-	2,375	122,602
Total Assets	<u>\$ 1,591,706</u>	<u>\$ 6,569,520</u>	<u>\$ 8,453,393</u>	<u>\$ 16,614,619</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 72,539	\$ -	\$ 72,539
Wages and Benefits Payable	-	574	-	574
Claims Payable	1,261,706	4,849,000	6,781,304	12,892,010
Due to the Board of County Commissioners	330,000	1,647,407	1,672,089	3,649,496
Total Liabilities	<u>1,591,706</u>	<u>6,569,520</u>	<u>8,453,393</u>	<u>16,614,619</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, 2018*

	Legal Liability Fund	Medical Plan Fund	Workers' Compensation Fund	Total
Operating Revenues:				
Charges to Other Funds for Services	\$ 1,512,184	\$ 47,698,262	\$ 3,519,300	\$ 52,729,746
Miscellaneous Income	16,305	10,000	-	26,305
Total Operating Revenues	<u>1,528,489</u>	<u>47,708,262</u>	<u>3,519,300</u>	<u>52,756,051</u>
Operating Expenses:				
Claims Expense	1,205,047	43,059,397	1,656,037	45,920,481
Personal Services	-	89,149	-	89,149
General and Administrative	-	2,962,526	347,940	3,310,466
Total Operating Expenses	<u>1,205,047</u>	<u>46,111,072</u>	<u>2,003,977</u>	<u>49,320,096</u>
Operating Income	<u>323,442</u>	<u>1,597,190</u>	<u>1,515,323</u>	<u>3,435,955</u>
Nonoperating Revenues:				
Interest Earnings	6,558	50,217	156,766	213,541
Total Nonoperating Revenues	<u>6,558</u>	<u>50,217</u>	<u>156,766</u>	<u>213,541</u>
Changes in Net Position Before Transfers	330,000	1,647,407	1,672,089	3,649,496
Transfers-Out to the Board of County Commissioners	<u>(330,000)</u>	<u>(1,647,407)</u>	<u>(1,672,089)</u>	<u>(3,649,496)</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, 2018

	Legal Liability Fund	Medical Plan Fund	Workers' Compensation Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Other Funds for Goods and Services	\$ 1,512,184	\$ 47,698,262	\$ 3,519,300	\$ 52,729,746
Cash Received from Others	16,305	10,000	93,053	119,358
Cash Payments for Claims	(1,292,687)	(43,111,397)	(1,731,103)	(46,135,187)
Cash Payments to Vendors for Goods and Services	-	(2,940,227)	(382,847)	(3,323,074)
Cash Payments to Employees for Services	-	(88,575)	-	(88,575)
Net Cash Provided by Operating Activities	<u>235,802</u>	<u>1,568,063</u>	<u>1,498,403</u>	<u>3,302,268</u>
Cash Flows from Investing Activities:				
Interest Earnings	6,558	50,217	156,766	213,541
Net Cash Provided by Investing Activities	<u>6,558</u>	<u>50,217</u>	<u>156,766</u>	<u>213,541</u>
Cash Flows from Noncapital Financing Activities:				
Transfers-Out to the Board of County Commissioners	-	(6,270,210)	-	(6,270,210)
Net Cash Used in Noncapital Financing Activities	<u>-</u>	<u>(6,270,210)</u>	<u>-</u>	<u>(6,270,210)</u>
Net Change in Cash and Cash Equivalents	242,360	(4,651,930)	1,655,169	(2,754,401)
Cash and Cash Equivalents, Beginning of Fiscal Year	1,229,119	11,221,450	6,795,849	19,246,418
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 1,471,479</u>	<u>\$ 6,569,520</u>	<u>\$ 8,451,018</u>	<u>\$ 16,492,017</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income	\$ 323,442	\$ 1,597,190	\$ 1,515,323	\$ 3,435,955
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Increase (Decrease) in Cash Resulting from Changes in:				
Accounts Receivable	(52,385)	-	9,065	(43,320)
Accounts Payable	-	22,299	-	22,299
Wages and Benefits Payable	-	574	-	574
Due to Other Governmental Entities	-	-	(34,906)	(34,906)
Claims Payable	(35,255)	(52,000)	8,921	(78,334)
Net Cash Provided by Operating Activities	<u>\$ 235,802</u>	<u>\$ 1,568,063</u>	<u>\$ 1,498,403</u>	<u>\$ 3,302,268</u>

HILLSBOROUGH COUNTY, FLORIDA

SHERIFF

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS (CONTINUED)**

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018
Cash Bond Fund				
Assets:				
Cash and Cash Equivalents	\$ 149,129	\$ 2,572,302	\$ (2,721,431)	\$ -
Total Assets	<u>\$ 149,129</u>	<u>\$ 2,572,302</u>	<u>\$ (2,721,431)</u>	<u>\$ -</u>
Liabilities:				
Deposits	\$ 149,129	2,572,553	(2,721,682)	-
Due to Other Governmental Entities	-	2,452,210	(2,452,210)	-
Total Liabilities	<u>\$ 149,129</u>	<u>\$ 5,024,763</u>	<u>\$ (5,173,892)</u>	<u>\$ -</u>
Flexible Spending Accounts Fund				
Assets:				
Cash and Cash Equivalents	\$ 297,803	\$ 1,490,202	\$ (1,442,468)	\$ 345,537
Total Assets	<u>\$ 297,803</u>	<u>\$ 1,490,202</u>	<u>\$ (1,442,468)</u>	<u>\$ 345,537</u>
Liabilities:				
Accounts Payable	\$ -	\$ 723,369	\$ (723,369)	\$ -
Deposits	297,803	794,717	(746,983)	345,537
Total Liabilities	<u>\$ 297,803</u>	<u>\$ 1,518,086</u>	<u>\$ (1,470,352)</u>	<u>\$ 345,537</u>
Inmate Accounts Fund				
Assets:				
Cash and Cash Equivalents	\$ 99,895	\$ 7,181,717	\$ (7,179,733)	\$ 101,879
Accounts Receivable	23,433	4,715,385	(4,702,781)	36,037
Total Assets	<u>\$ 123,328</u>	<u>\$ 11,897,102</u>	<u>\$ (11,882,514)</u>	<u>\$ 137,916</u>
Liabilities:				
Accounts Payable	\$ -	\$ 1,597,085	\$ (1,597,085)	\$ -
Due to the Board of County Commissioners	-	682,967	(682,967)	-
Deposits	123,328	4,884,198	(4,869,610)	137,916
Total Liabilities	<u>\$ 123,328</u>	<u>\$ 7,164,250</u>	<u>\$ (7,149,662)</u>	<u>\$ 137,916</u>

HILLSBOROUGH COUNTY, FLORIDA**SHERIFF****COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS (CONTINUED)***FISCAL YEAR ENDED SEPTEMBER 30, 2018*

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018
Trust Fund				
Assets:				
Cash and Cash Equivalents	\$ 574,705	\$ 1,885,426	\$ (1,960,096)	\$ 500,035
Accounts Receivable	-	68,416	(68,416)	-
Due from Other Governmental Entities	18,190	-	(18,190)	-
Total Assets	<u>\$ 592,895</u>	<u>\$ 1,953,842</u>	<u>\$ (2,046,702)</u>	<u>\$ 500,035</u>
Liabilities:				
Accounts Payable	\$ -	\$ 1,941,010	\$ (1,941,010)	\$ -
Due to the Board of County Commissioners	-	213,381	(213,381)	-
Deposits	592,895	1,629,235	(1,722,095)	500,035
Total Liabilities	<u>\$ 592,895</u>	<u>\$ 3,783,626</u>	<u>\$ (3,876,486)</u>	<u>\$ 500,035</u>
Total Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 1,121,532	\$ 13,129,647	\$ (13,303,728)	\$ 947,451
Accounts Receivable	23,433	4,783,801	(4,771,197)	36,037
Due from Other Governmental Entities	18,190	-	(18,190)	-
Total Assets	<u>\$ 1,163,155</u>	<u>\$ 17,913,448</u>	<u>\$ (18,093,115)</u>	<u>\$ 983,488</u>
Liabilities:				
Accounts Payable	\$ -	\$ 4,261,464	\$ (4,261,464)	\$ -
Due from Other Governmental Entities	-	2,452,210	(2,452,210)	-
Due to the Board of County Commissioners	-	896,348	(896,348)	-
Deposits	1,163,155	9,880,703	(10,060,370)	983,488
Total Liabilities	<u>\$ 1,163,155</u>	<u>\$ 17,490,725</u>	<u>\$ (17,670,392)</u>	<u>\$ 983,488</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 Chad G. Chronister
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 fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements, and have issued our report thereon dated December 18, 2018, 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 18, 2018

Independent Auditor's Management Letter

To the Honorable Chad G. Chronister
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, 2018, and have issued our report thereon dated December 18, 2018.

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 Reporting Requirements

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 Auditor 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 18, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Management

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

Additional Matters

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

Purpose of this Letter

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 18, 2018

Report of Independent Accountant on Compliance with Local Government Investment Policies

To the Honorable Chad G. Chronister
Sheriff
Hillsborough County, Florida

We have examined the Hillsborough County, Florida Sheriff's (the "Sheriff") compliance with the local government investment policy requirements of Section 218.415, *Florida Statutes*, during the fiscal year ended September 30, 2018. Management of the Sheriff is responsible for the Sheriff's compliance with those requirements. Our responsibility is to express an opinion on the Sheriff's compliance with the specified requirements based on our examination.

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

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

In our opinion, the Sheriff complied, in all material respects, with the local investment policy requirements of Section 218.415, *Florida Statutes* during the fiscal year ended September 30, 2018.

The purpose of this report is to comply with the audit requirements of Section 218.415, *Florida Statutes*, and Chapter 10.220, *Rules of the Auditor General*.



Tampa, Florida
December 18, 2018