

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DESOTO COUNTY, FLORIDA

SEPTEMBER 30, 2016

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DESOTO COUNTY, FLORIDA

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DeSoto County, Florida (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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.

Certified Public Accountants

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Honorable Members of the Board of County Commissioners
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Durvis, Gray and Company, LLP

June 9, 2017
Sarasota, Florida

**DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

DeSoto County's (the County) Management's Discussion and Analysis (the MD&A) presents an overview of the County's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the County's financial statements following the MD&A.

Financial Highlights

- The assets (plus deferred outflows) of the County exceeded its liabilities (plus deferred inflows) at the close of fiscal 2016 by \$40.8 million (*net position*). This is net of a \$20.2 million deficit in unrestricted net position.
- At September 30, 2016, the County's governmental funds reported combined ending fund balances of \$8.0 million, an increase of \$2.2 million for the year.
- At September 30, 2016, unassigned fund balance for the General Fund was \$3.5 million or 13.9% of total General Fund expenditures and other uses.
- Net capital assets increased by \$1.7 million from the prior fiscal year.
- There was one adjustment to beginning net position/fund balance in 2016, as reported in Note 15 to the financial statements:
 - During the 2016 budget process, the Board determined that the Building Fund no longer meets the definition of a proprietary fund. Therefore, the Building Fund is being reported as a non-major special revenue fund as of October 1, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information and other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the County's assets (plus deferred outflows) and liabilities (plus deferred inflows), with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Overview of the Financial Statements (Continued)

Government-wide Financial Statements (Concluded)

The *statement of activities* presents information showing how the County's net position changed during 2016. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services, culture/recreation, and court-related activities. The business-type activities of the County include solid waste disposal and water and sewer utilities. The government-wide financial statements can be found immediately following the MD&A.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's *near-term* financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's *near-term* financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, County Transportation, and Fire and EMS; which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Overview of the Financial Statements (Concluded)

Governmental Funds (Concluded)

The County adopts an annual appropriated budget for all non-fiduciary funds. Budgetary comparison schedules have been provided for the General Fund and major special revenue funds to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Proprietary Funds

The County maintains one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities relating to solid waste disposal (landfill) and water and sewer utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Landfill and Water/Sewer Utility funds, which are considered to be major enterprise funds of the County.

The basic proprietary fund financial statements follow the governmental fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

The basic fiduciary fund financial statements can be found after the basic proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the fiduciary fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents budgetary comparison schedules for the County's general fund and other budgeted major special revenue funds. In addition, schedules providing information on the County's net pension liabilities and other postemployment benefits plan are also in this section. Required supplementary information can be found following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds are presented in the other supplemental information section of this report. Combining and individual fund schedules can be found after the required supplementary information.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets (plus deferred outflows) exceeded liabilities (plus deferred inflows) by \$40.8 million at the close of the year ended September 30, 2016. The County is able to report positive balances in net investment in capital assets and restricted net position, but has a deficit in unrestricted net position for both its governmental and business-type activities. Following is a summarized version of the statement of net position found in the financial section of this report, with comparative information for 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015*	2016	2015*	2016	2015*
Current and Other Assets	\$ 10,856,631	\$ 7,984,636	\$ 7,648,891	\$ 7,911,628	\$ 18,505,522	\$ 15,896,264
Capital Assets (Net)	45,084,592	44,234,287	34,828,233	33,981,060	79,912,825	78,215,347
Total Assets	55,941,223	52,218,923	42,477,124	41,892,688	98,418,347	94,111,611
Deferred Outflows	9,909,751	3,505,258	709,192	526,518	10,618,943	4,031,776
Current and Other Liabilities	2,896,637	2,518,298	382,672	285,217	3,279,309	2,803,515
Long-term Liabilities	43,312,023	32,584,675	20,710,729	20,343,442	64,022,752	52,928,117
Total Liabilities	46,208,660	35,102,973	21,093,401	20,628,659	67,302,061	55,731,632
Deferred Inflows	882,478	2,960,058	20,274	121,657	902,752	3,081,715
Net Position:						
Net Investment in Capital Assets	31,760,331	31,234,540	24,280,261	23,391,596	56,040,592	54,626,136
Restricted	3,310,119	2,894,777	1,703,100	1,981,152	5,013,219	4,875,929
Unrestricted	(16,310,614)	(16,468,167)	(3,910,720)	(3,703,858)	(20,221,334)	(20,172,025)
Total Net Position	\$ 18,759,836	\$ 17,661,150	\$ 22,072,641	\$ 21,668,890	\$ 40,832,477	\$ 39,330,040

* Balances do not reflect the statement described in Note 15, for practical reasons.

A substantial portion of the County's net position (137.2%) reflects its net investments in capital assets (e.g. land, buildings, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (12.3%) represents restricted resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in unrestricted net position.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Government-wide Financial Analysis (Concluded)

The following table is a summary of the information presented in the statement of activities found in the financial section of this report, with comparative information for 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015*	2016	2015*	2016	2015*
<u>REVENUES</u>						
Program Revenues:						
Charges for Services	\$ 10,004,972	\$ 9,517,375	\$ 5,023,648	\$ 5,853,950	\$ 15,028,620	\$ 15,371,325
Operating Grants and Contributions	1,720,577	1,312,216	90,909	112,034	1,811,486	1,424,250
Capital Grants and Contributions	1,729,232	2,400,969	1,674,898	894,282	3,404,130	3,295,251
General Revenues:						
Property Taxes	12,199,973	11,844,125	-	-	12,199,973	11,844,125
Other Taxes	7,742,644	5,844,399	-	-	7,742,644	5,844,399
Shared Revenues	4,975,220	4,675,052	-	-	4,975,220	4,675,052
Other	388,660	385,113	70,289	123,190	458,949	508,303
Total Revenues	38,761,278	35,979,249	6,859,744	6,983,456	45,621,022	42,962,705
<u>EXPENSES</u>						
General Government	10,211,777	8,032,552	-	-	10,211,777	8,032,552
Public Safety	16,566,708	15,336,327	-	-	16,566,708	15,336,327
Physical Environment	2,149,313	1,702,122	-	-	2,149,313	1,702,122
Transportation	3,775,210	4,365,473	-	-	3,775,210	4,365,473
Economic Environment	802,628	646,014	-	-	802,628	646,014
Human Services	1,716,839	2,086,873	-	-	1,716,839	2,086,873
Culture/Recreation	908,971	2,058,097	-	-	908,971	2,058,097
Court-related	1,231,688	1,295,984	-	-	1,231,688	1,295,984
Interest on Long-term Debt	471,730	479,666	-	-	471,730	479,666
Landfill	-	-	1,761,250	1,884,900	1,761,250	1,884,900
Water and Sewer Utility	-	-	4,522,471	4,813,281	4,522,471	4,813,281
Building	-	-	-	313,252	-	313,252
Total Expenses	37,834,864	36,003,108	6,283,721	7,011,433	44,118,585	43,014,541
Excess (Deficiency)						
Before Transfers	926,414	(23,859)	576,023	(27,977)	1,502,437	(51,836)
Transfers	(2,439)	71,888	2,439	(71,888)	-	-
Change in Net Position	923,975	48,029	578,462	(99,865)	1,502,437	(51,836)
Net Position, Beginning of Year:						
As Restated	17,835,861	17,613,121	21,494,179	21,768,755	39,330,040	39,381,876
Net Position, End of Year	\$ 18,759,836	\$ 17,661,150	\$ 22,072,641	\$ 21,668,890	\$ 40,832,477	\$ 39,330,040

* Balances do not reflect the restatement described in Note 15, for practical reasons.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Governmental Activities

Governmental activities increased the County's net position by \$924 thousand during 2016. Following is a further detail of the revenues and expenses for governmental activities in 2016, compared to 2015:

Governmental Activities - Expenses and Net Revenue (Cost) by Function

	<u>Expenses</u>				<u>Net Revenue (Cost) of Services</u>	
	<u>2016</u>	<u>% of Total</u>	<u>2015*</u>	<u>% Change</u>	<u>2016</u>	<u>2015*</u>
Functions/Programs						
General Government	\$ 10,211,777	27.0%	\$ 8,032,552	27.1%	\$ (7,300,541)	\$ (5,099,832)
Public Safety	16,566,708	43.8%	15,336,327	8.0%	(11,496,466)	(10,583,782)
Physical Environment	2,149,313	5.7%	1,702,122	26.3%	(435,294)	(197,233)
Transportation	3,775,210	10.0%	4,365,473	-13.5%	(2,135,259)	(2,079,612)
Economic Environment	802,628	2.1%	646,014	24.2%	12,350	(563,852)
Human Services	1,716,839	4.5%	2,086,873	-17.7%	(1,354,888)	(1,606,176)
Culture/Recreation	908,971	2.4%	2,058,097	-55.8%	(567,499)	(1,595,343)
Court-related	1,231,688	3.3%	1,295,984	-5.0%	(630,756)	(567,052)
Interest on Long-term Debt	471,730	1.2%	479,666	-1.7%	(471,730)	(479,666)
	<u>\$ 37,834,864</u>	<u>100%</u>	<u>\$ 36,003,108</u>		<u>\$ (24,380,083)</u>	<u>\$ (22,772,548)</u>

Governmental Activities - Revenues by Source

<u>Description</u>	<u>2016</u>	<u>% of Total</u>	<u>2015*</u>	<u>% Change</u>
Program Revenues:				
Charges for Services	\$ 10,004,972	25.8%	\$ 9,517,375	5.1%
Operating Grants and Contributions	1,720,577	4.4%	1,312,216	31.1%
Capital Grants and Contributions	1,729,232	4.5%	2,400,969	-28.0%
General Revenues:				
Property Tax	12,199,973	31.5%	11,844,125	3.0%
Small County Surcharge	2,050,662	5.3%	1,971,827	4.0%
Law Enforcement	1,769,260	4.6%	-	100.0%
Business Tax	26,722	0.1%	32,738	-18.4%
Communications Service	192,731	0.5%	196,725	-2.0%
Tourist Development	83,337	0.2%	54,156	53.9%
Gas and Fuel Taxes	2,426,953	6.3%	2,364,332	2.6%
Franchise Fees	1,192,979	3.1%	1,224,621	-2.6%
Pari-mutuel Tax	314,333	0.8%	314,333	0.0%
State Shared Revenue	791,762	2.0%	776,745	1.9%
Local Shared Revenue	858,293	2.2%	750,000	14.4%
State Sales Tax	3,010,832	7.7%	2,833,974	6.2%
Miscellaneous	388,660	1.0%	385,113	0.9%
	<u>\$ 38,761,278</u>	<u>100%</u>	<u>\$ 35,979,249</u>	

* Balances do not reflect the restatement described in Note 15, for practical reasons.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Governmental Activities (Concluded)

During the year, an additional taxing unit was created for law enforcement. The Building Fund was separated out of business-type activities and moved into a special revenue fund (governmental activities) in 2016. Revenues for governmental activities increased \$2.8 million from the prior year, including \$1.8 million related to the Law Enforcement MSTU. The additional increase in revenues was mainly due to \$488 thousand in increased charges for services, including \$363 thousand of building fund licenses and permits. Expenses for governmental activities increased by \$1.8 million, although the majority of the increase has been capitalized, mainly related to an agreement between the County and Florida Power and Light to reduce energy costs by replacing fixtures throughout the County.

Business-type Activities

Business-type activities increased the County's net position by \$578 thousand in 2016 compared to a decrease of \$100 thousand in 2015. Expenses decreased by \$728 thousand. Of that \$728 thousand, \$100 thousand was in Landfill and \$291 thousand was in Water/Sewer, but mostly the decrease was related to the Building Fund becoming a special revenue fund (governmental activities) in 2016. During the year, revenues decreased by \$49 thousand. Removal of the building activity due to the new special revenue fund being created represented the majority of change in the business-type activities. Following is further detail of the business-type activities financial results for 2016, compared to 2015:

Business-type Activities - Expenses and Net Revenue (Cost) by Function

	2016			2015		
	Revenues	Expenses	Net	Revenues	Expenses	Net
Functions/Programs:						
Landfill	\$ 1,783,742	\$ 1,761,250	\$ 22,492	\$ 1,727,823	\$ 1,884,900	\$ (157,077)
Water and Sewer	5,005,713	4,522,471	483,242	4,705,921	4,813,281	(107,360)
Building*	-	-	-	426,522	313,252	113,270
	<u>6,789,455</u>	<u>6,283,721</u>	<u>505,734</u>	<u>6,860,266</u>	<u>7,011,433</u>	<u>(151,167)</u>
General Revenues	70,289	-	70,289	123,190	-	123,190
Transfers	2,439	-	2,439	(71,888)	-	(71,888)
Net	<u>\$ 6,862,183</u>	<u>\$ 6,283,721</u>	<u>\$ 578,462</u>	<u>\$ 6,911,568</u>	<u>\$ 7,011,433</u>	<u>\$ (99,865)</u>

* The Building Fund was reclassified to a special revenue fund in 2016 as more fully described in Note 15. Therefore, the Building Fund's 2016 amounts are not reflected in this schedule.

Business-type Activities - Revenues by Source

	2016	% of Total	2015*	% of Total
Charges for Services	\$ 5,023,648	73.2%	\$ 5,853,950	83.8%
Operating Grants and Contributions	90,909	1.4%	112,034	1.6%
Capital Grants and Contributions	1,674,898	24.4%	894,282	12.8%
Miscellaneous	70,289	1.0%	123,190	1.8%
	<u>\$ 6,859,744</u>	<u>100.0%</u>	<u>\$ 6,983,456</u>	<u>100.0%</u>

* Balances do not reflect the restatement described in Note 15, for practical reasons.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's *governmental funds* is to provide information on *near-term* inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2016, the County's governmental funds reported combined ending fund balances of \$8.0 million, an increase of \$2.2 million for the year. At the end of 2016, the County's governmental funds reported combined *restricted fund balances* of \$3.4 million. This represents amounts that can only be spent for specific purposes as stipulated by external resource providers or by enabling legislation. The County's governmental funds reported combined *assigned fund balances* of \$574 thousand. *Unassigned fund balances* totaled \$3.1 million and are available for spending. The remainder of the fund balances are *nonspendable* to indicate that they are not available for spending: 1) for prepaids and inventories (\$178 thousand); and 2) for advances to other funds (\$667 thousand).

The General Fund is the chief operating fund of the County. At the end of 2016, unassigned fund balance of the General Fund was \$3.5 million, while total fund balance reached \$4.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.9% of the total general fund expenditures and other uses, while total fund balance represents 17.4% of the same amount. During 2016, the fund balance of the General Fund increased \$1.7 million as opposed to the decrease of \$2.4 million as originally budgeted.

The County Transportation Fund reported an increase in fund balance of \$196 thousand during 2016. This increase was related to multiple factors, but mostly related to decreased construction projects in 2016. The fund balance has continued to hold position at September 30, 2016.

The Fire and EMS Fund reported an increase in fund balance of \$40 thousand during 2016. This was an improvement over the prior year reduction of \$15 thousand. The fund balance is in a deficit position of \$9 thousand at September 30, 2016, as compared to \$49 thousand at September 30, 2015.

**DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)**

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The only two enterprise funds, Landfill and Water/Sewer Utility, are reported as major funds.

The Landfill Fund reported an increase in net position of \$87 thousand during 2016, compared to a decrease of \$84 thousand in 2015. This increase was mainly related to decrease operating expenses.

The Water and Sewer Fund reported an increase in net position of \$492 thousand, as compared to a decreased net position of \$104 thousand in 2015. This increase was attributable to additional capital contributions received during 2016.

Unrestricted net position for proprietary funds are as follows:

Fund	Unrestricted Net Position	
	2016	2015
Landfill	\$ (2,968,790)	\$ (3,284,709)
Water and Sewer	(941,935)	33,205
Total	\$ (3,910,725)	\$ (3,251,504)

General Fund Budgetary Highlights

A budget versus actual comparison of the operating results of the County's general fund (excluding the County Officers) can be found in the Required Supplementary Information section of the report. Final budgeted revenues increased from the original budget by \$512 thousand, mostly related to taxes and intergovernmental revenues. As shown below, final budgeted expenditures and transfers out increased by \$893 thousand from the original budget, reducing budgeted reserves.

	Original Budget	Final Budget	Difference
General Government	\$ 6,220,675	\$ 5,361,668	\$ (859,007)
Public Safety	496,737	517,525	20,788
Physical Environment	133,131	381,697	248,566
Economic Environment	83,828	83,843	15
Human Services	1,234,941	1,872,633	637,692
Culture/Recreation	1,175,279	1,268,244	92,965
Debt Service	26,731	25,907	(824)
Reserves	2,847,969	3,253,557	405,588
Transfers Out	13,945,431	14,292,655	347,224
	\$ 26,164,722	\$ 27,057,729	\$ 893,007

The General Fund final actual revenues were \$273 thousand more than the final budget. As shown below, the General Fund actual expenditures and transfers out were \$4.1 million less than the final amended budget. The most significant factor was budgeted reserves of \$3.3 million that were not expended. Human Services expenditures were \$449 thousand less than the final budget and Culture/Recreation expenditures were \$186 thousand less than the final budget.

DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Continued)

General Fund Budgetary Highlights (Concluded)

General Fund budgeted and actual expenditures and transfers out for 2016 were as follows:

	Actual		
	<u>Expenditures</u>	<u>Final Budget</u>	<u>Difference</u>
General Government	\$ 5,254,975	\$ 5,361,668	\$ 106,693
Public Safety	489,400	517,525	28,125
Physical Environment	348,409	381,697	33,288
Economic Environment	67,219	83,843	16,624
Human Services	1,423,427	1,872,633	449,206
Culture/Recreation	1,082,372	1,268,244	185,872
Debt Service	25,884	25,907	23
Reserves	-	3,253,557	3,253,557
Transfers Out	14,292,793	14,292,655	(138)
	<u>\$ 22,984,479</u>	<u>\$ 27,057,729</u>	<u>\$ 4,073,250</u>

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$79.9 million (net of accumulated depreciation and amortization). The total increase in the County's investment in capital assets for the current fiscal year was \$1.7 million or 2.2%. Major capital asset events during 2016 included the following:

- Building Improvements of \$1.7 million related to the Florida Power and Light cost savings project.
- Depreciation expense for governmental activities was \$3.4 million, an increase of \$119 thousand from the prior year. Capital asset additions were \$4.2 million.
- Depreciation expense for business-type activities was \$2.0 million, in line with the prior year. Capital asset additions were \$3.0 million.

Following is a summary of the County's capital assets at the end of 2016 and 2015:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015*</u>	<u>2016</u>	<u>2015*</u>	<u>2016</u>	<u>2015*</u>
Land and Easements	\$ 3,458,059	\$ 3,511,737	\$ 2,959,193	\$ 2,685,355	\$ 6,417,252	\$ 6,197,092
Construction in Progress	626,640	1,277,965	3,513,214	1,962,625	4,139,854	3,240,590
Buildings and Improvements	29,170,248	27,859,170	1,092,173	1,092,173	30,262,421	28,951,343
Intangibles	509,722	509,722	60,278	60,278	570,000	570,000
Machinery and Equipment - Board	11,514,729	11,798,364	1,677,985	1,685,048	13,192,714	13,483,412
Machinery and Equipment - Sheriff	5,433,050	5,071,710	-	-	5,433,050	5,071,710
Infrastructure	31,543,997	29,488,276	9,065,713	9,065,713	40,609,710	38,553,989
Water Distribution System	-	-	37,330,377	36,155,007	37,330,377	36,155,007
	<u>82,256,445</u>	<u>79,516,944</u>	<u>55,698,933</u>	<u>52,706,199</u>	<u>137,955,378</u>	<u>132,223,143</u>
Less: Accumulated Depreciation	<u>(37,171,853)</u>	<u>(35,163,597)</u>	<u>(20,870,700)</u>	<u>(18,844,199)</u>	<u>(58,042,553)</u>	<u>(54,007,796)</u>
Capital Assets, net	<u>\$ 45,084,592</u>	<u>\$ 44,353,347</u>	<u>\$ 34,828,233</u>	<u>\$ 33,862,000</u>	<u>\$ 79,912,825</u>	<u>\$ 78,215,347</u>

* Restated - See Note 15.

More detailed information on the County's capital assets can be found in Note 5 to the financial statements.

**DESOTO COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016
(Concluded)**

Capital Assets and Debt Administration (Concluded)

Long-term Debt

The County's outstanding long-term debt consists primarily of revenue bonds/notes, other notes payable, and installment obligations. At the end of 2016, the County's governmental activities had an addition of \$220 thousand in outstanding long-term debt, primarily with the additions of two new loans totaling \$1.8 million, and reduced by scheduled principal payments of \$1.1 million. Business-type activities had an decrease of \$12 thousand in outstanding long-term debt.

Following is a summary of the County's long-term debt at the end of 2016 and 2015:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue Bonds	\$ -	\$ -	\$ 7,045,130	\$ 7,168,130	\$ 7,045,130	\$ 7,168,130
Revenue Notes	13,723,617	13,440,000	4,247,640	4,187,551	17,971,257	17,627,551
Installment Obligations	124,196	188,009	95,671	115,959	219,867	303,968
	<u>\$ 13,847,813</u>	<u>\$ 13,628,009</u>	<u>\$ 11,388,441</u>	<u>\$ 11,471,640</u>	<u>\$ 25,236,254</u>	<u>\$ 25,099,649</u>

More detailed information on the County's long-term debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The County's millage rate for general operations remained the same in 2017 as in 2016, at 8.5060 mills. The Law Enforcement M.S.T.U. also remained the same in 2017 at 1.5000 mills. Budgets remained conservative with little activity in upcoming capital improvements. The 2017 general fund budget uses carry over surplus of \$511 thousand to balance.

Requests for Information

This financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the County's Finance Department, 201 E. Oak Street, Suite 205, Arcadia, Florida 34266.

BASIC FINANCIAL STATEMENTS

DESOTO COUNTY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 5,072,611	\$ 502,898	\$ 5,575,509
Restricted Cash and Cash Equivalents	657,405	6,965,708	7,623,113
Accounts Receivable, Net	681,426	421,315	1,102,741
Special Assessments Receivable	20,182	-	20,182
Internal Balances	316,139	(316,139)	-
Due from Other Governments	2,316,953	37,735	2,354,688
Inventories	126,216	34,874	161,090
Prepays	51,333	2,500	53,833
Deposits	65,000	-	65,000
Notes Receivable, Net	1,549,366	-	1,549,366
Capital Assets - Nondepreciated	4,084,699	6,472,407	10,557,106
Capital Assets - Depreciated, Net	40,999,893	28,355,826	69,355,719
Total Assets	<u>55,941,223</u>	<u>42,477,124</u>	<u>98,418,347</u>
Deferred Outflows of Resources			
Contractual Rights	-	360,000	360,000
Refunding Losses	523,552	-	523,552
Pensions	9,386,199	349,192	9,735,391
Total Deferred Outflows of Resources	<u>9,909,751</u>	<u>709,192</u>	<u>10,618,943</u>
Total Assets and Deferred Outflows	<u>65,850,974</u>	<u>43,186,316</u>	<u>109,037,290</u>
Liabilities			
Bank Overdraft	2,064	-	2,064
Vouchers Payable	1,666,936	243,296	1,910,232
Accrued Liabilities	527,884	50,419	578,303
Due to Other Governments	69,350	-	69,350
Unearned Revenue	17,103	-	17,103
Deposits	613,300	88,957	702,257
Long-term Liabilities:			
Due Within One Year	1,865,571	411,902	2,277,473
Due in More Than One Year	41,446,452	20,298,827	61,745,279
Total Liabilities	<u>46,208,660</u>	<u>21,093,401</u>	<u>67,302,061</u>
Deferred Inflows of Resources			
Pensions	882,478	20,274	902,752
Total Deferred Inflows of Resources	<u>882,478</u>	<u>20,274</u>	<u>902,752</u>
Total Liabilities and Deferred Inflows	<u>47,091,138</u>	<u>21,113,675</u>	<u>68,204,813</u>
Net Position			
Net Investment in Capital Assets	31,760,331	24,280,261	56,040,592
Restricted for:			
Debt Service	-	427,800	427,800
Capital Expansion Program	-	1,275,300	1,275,300
Transportation	299,743	-	299,743
Economic Development	1,890,272	-	1,890,272
Other Purposes	1,120,104	-	1,120,104
Unrestricted (Deficit)	(16,310,614)	(3,910,720)	(20,221,334)
Total Net Position	<u>\$ 18,759,836</u>	<u>\$ 22,072,641</u>	<u>\$ 40,832,477</u>

See accompanying notes.

**DESOTO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 10,211,777	\$ 2,911,236	\$ -	\$ -	\$ (7,300,541)	\$ -	\$ (7,300,541)
Public Safety	16,566,708	4,503,096	372,220	194,926	(11,496,466)	-	(11,496,466)
Physical Environment	2,149,313	1,708,295	5,724	-	(435,294)	-	(435,294)
Transportation	3,775,210	92,586	80,302	1,467,063	(2,135,259)	-	(2,135,259)
Economic Environment	802,628	-	814,978	-	12,350	-	12,350
Human Services	1,716,839	15,674	279,034	67,243	(1,354,888)	-	(1,354,888)
Culture/Recreation	908,971	258,023	83,449	-	(567,499)	-	(567,499)
Court-related	1,231,688	516,062	84,870	-	(630,756)	-	(630,756)
Interest on Long-term Debt	471,730	-	-	-	(471,730)	-	(471,730)
Total Governmental Activities	37,834,864	10,004,972	1,720,577	1,729,232	(24,380,083)	-	(24,380,083)
Business-type Activities							
Landfill	1,761,250	1,692,833	90,909	-	-	22,492	22,492
Water and Sewer	4,522,471	3,330,815	-	1,674,898	-	483,242	483,242
Total Business-type Activities	6,283,721	5,023,648	90,909	1,674,898	-	505,734	505,734
Total	\$ 44,118,585	\$ 15,028,620	\$ 1,811,486	\$ 3,404,130	(24,380,083)	505,734	(23,874,349)
General Revenues							
Taxes:							
					12,199,973	-	12,199,973
					2,050,662	-	2,050,662
					1,769,260	-	1,769,260
					26,722	-	26,722
					192,731	-	192,731
					83,337	-	83,337
					2,426,953	-	2,426,953
					1,192,979	-	1,192,979
Intergovernmental Revenue:							
					314,333	-	314,333
					791,762	-	791,762
					858,293	-	858,293
					3,010,832	-	3,010,832
					388,660	70,289	458,949
					(2,439)	2,439	-
					25,304,058	72,728	25,376,786
					923,975	578,462	1,502,437
					17,835,861	21,494,179	39,330,040
					\$ 18,759,836	\$ 22,072,641	\$ 40,832,477

See accompanying notes.

DESOTO COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>General</u>	<u>County Transportation</u>	<u>Fire and EMS</u>
Assets			
Cash and Cash Equivalents	\$ 3,110,629	\$ -	\$ 42,527
Restricted Cash and Cash Equivalents	604,282	-	-
Accounts Receivable, Net	414,912	1,454	254,396
Special Assessments Receivable	-	-	9,688
Notes Receivable, Net	-	-	-
Due from Other Funds	789,001	-	26,817
Due from Other Governments	1,091,179	844,346	41,948
Inventories	11,131	115,085	-
Prepays	16,614	29,305	-
Deposits	65,000	-	-
Advances to Other Funds	355,694	-	-
Total Assets	<u>6,458,442</u>	<u>990,190</u>	<u>375,376</u>
Liabilities			
Bank Overdraft	2,064	-	-
Vouchers Payable	966,371	464,533	94,710
Accrued Liabilities	253,812	24,572	61,007
Due to Other Funds	45,189	152,964	187,361
Due to Other Governments	69,149	-	201
Deposits	613,300	-	-
Advances from Other Funds	-	-	-
Unearned Revenues	17,103	-	-
Total Liabilities	<u>1,966,988</u>	<u>642,069</u>	<u>343,279</u>
Deferred Inflows			
Unavailable Revenues	55,933	48,378	40,798
Fund Balances			
Nonspendable:			
Prepays and Inventories	27,745	144,390	-
Advances to Other Funds	355,694	-	-
Restricted for:			
Transportation	-	155,353	-
Economic Development	-	-	-
Public Assistance Programs	-	-	-
Streetlighting	-	-	-
Public Safety	-	-	-
Court Related Services	-	-	-
Building Code Enforcement	-	-	-
Assigned for:			
Budget Carryforward	511,105	-	-
Construction Projects	-	-	-
Turner Center	-	-	-
Mosquito Control	-	-	-
Unassigned (Deficit)	3,540,977	-	(8,701)
Total Fund Balances (Deficits)	<u>4,435,521</u>	<u>299,743</u>	<u>(8,701)</u>
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	<u>\$ 6,458,442</u>	<u>\$ 990,190</u>	<u>\$ 375,376</u>

See accompanying notes.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,919,455	\$ 5,072,611
53,123	657,405
10,664	681,426
10,494	20,182
1,549,366	1,549,366
13,542	829,360
339,480	2,316,953
-	126,216
5,414	51,333
-	65,000
311,499	667,193
<u>4,213,037</u>	<u>12,037,045</u>
-	2,064
141,322	1,666,936
16,127	355,518
439,206	824,720
-	69,350
-	613,300
355,694	355,694
-	17,103
<u>952,349</u>	<u>3,904,685</u>
<u>7,476</u>	<u>152,585</u>
5,414	177,549
311,499	667,193
-	155,353
1,890,272	1,890,272
5,899	5,899
1,080	1,080
837,923	837,923
237,691	237,691
318,861	318,861
-	511,105
30,431	30,431
2,293	2,293
30,088	30,088
(418,239)	3,114,037
<u>3,253,212</u>	<u>7,979,775</u>
<u>\$ 4,213,037</u>	<u>\$ 12,037,045</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2016

Total Fund Balances of Governmental Funds \$ 7,979,775

**Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:**

Revenues are deferred in governmental funds when both the measurable and available criteria are not met under the modified accrual basis of accounting. Under the full accrual basis of accounting these revenues would be recognized when earned regardless of when they are received. 152,585

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$82,256,445, and the accumulated depreciation is \$37,171,853. 45,084,592

Deferred refunding losses are considered deferred outflows in the government-wide statement of net position. These losses are expensed as incurred in the governmental fund financial statements:

Deferred Charge on Refunding	\$ 1,134,360	
(Accumulated Amortization)	<u>(610,808)</u>	523,552

Net pension liabilities and related deferred outflows and inflows of resources are not due or available in the current period and, therefore, not recognized in the governmental funds:

Deferred Outflows	9,386,199	
Deferred Inflows	(882,478)	
Net Pension Liability	<u>(22,664,070)</u>	(14,160,349)

Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year-end consist of:

Notes Payable	(13,723,617)	
Installment Purchase Obligations	(124,196)	
Interest Payable	(172,366)	
Other Postemployment Benefits	(5,923,785)	
Compensated Absences	<u>(876,355)</u>	<u>(20,820,319)</u>

Total Net Position of Governmental Activities \$ 18,759,836

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>County Transportation</u>	<u>Fire and EMS</u>
Revenues			
Taxes	\$ 16,211,508	\$ 2,426,953	\$ 27,840
Special Assessments	-	-	2,586,860
Permits and Fees	1,242,181	10,828	20,195
Intergovernmental Revenues	5,513,076	1,315,428	405,839
Charges for Services	3,495,791	81,758	986,611
Fines and Forfeitures	47,302	-	-
Miscellaneous Revenues	312,802	19,483	17,232
Total Revenues	<u>26,822,660</u>	<u>3,854,450</u>	<u>4,044,577</u>
Expenditures			
Current:			
General Government	7,470,718	-	118,863
Public Safety	10,040,004	-	4,457,394
Physical Environment	348,409	-	-
Transportation	-	4,045,134	-
Economic Environment	67,219	-	-
Human Services	1,423,427	-	-
Culture/Recreation	1,082,372	-	-
Court-related	1,041,988	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	12,583	26,701	24,529
Interest and Fiscal Charges	13,301	3,663	426
Other Debt Service Costs	-	-	-
(Total Expenditures)	<u>(21,500,021)</u>	<u>(4,075,498)</u>	<u>(4,601,212)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,322,639</u>	<u>(221,048)</u>	<u>(556,635)</u>
Other Financing Sources (Uses)			
Transfers in	358,942	2,064,337	794,992
Transfers (out)	(4,007,735)	(1,659,580)	(200,338)
Distributions of Excess Commissions	(10,502)	-	-
Loan Proceeds	-	-	-
Insurance Proceeds	16,949	12,398	2,449
Total Other Financing Sources (Uses)	<u>(3,642,346)</u>	<u>417,155</u>	<u>597,103</u>
Net Change in Fund Balances	1,680,293	196,107	40,468
Fund Balances (Deficits), Beginning of Year As Restated	<u>2,755,228</u>	<u>103,636</u>	<u>(49,169)</u>
Fund Balances (Deficits), End of Year	<u>\$ 4,435,521</u>	<u>\$ 299,743</u>	<u>\$ (8,701)</u>

See accompanying notes.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 83,337	\$ 18,749,638
56,526	2,643,386
363,035	1,636,239
1,084,510	8,318,853
2,124,585	6,688,745
96,377	143,679
170,682	520,199
<u>3,979,052</u>	<u>38,700,739</u>
238,601	7,828,182
1,361,329	15,858,727
1,777,021	2,125,430
78,980	4,124,114
731,103	798,322
197,289	1,620,716
-	1,082,372
126,526	1,168,514
1,709,030	1,709,030
1,543,000	1,606,813
352,904	370,294
6,968	6,968
<u>(8,122,751)</u>	<u>(38,299,482)</u>
<u>(4,143,699)</u>	<u>401,257</u>
3,013,293	6,231,564
(366,350)	(6,234,003)
-	(10,502)
1,826,617	1,826,617
-	31,796
<u>4,473,560</u>	<u>1,845,472</u>
329,861	2,246,729
2,923,351	5,733,046
<u>\$ 3,253,212</u>	<u>\$ 7,979,775</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 2,246,729

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental funds report capital purchases as expenditures.

Donated and transferred capital assets are not recorded in the fund statements. In the statement of activities, the cost of capital assets acquired is depreciated over their estimated useful lives and reported as depreciation expense.

Capital Asset Purchases	\$ 4,146,409	
Capital Asset Donations	67,243	
Transferred Capital Assets	(2,486)	
Capital Asset Disposals	(78,555)	
Depreciation Expense	<u>(3,401,366)</u>	731,245

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. In addition, principal payments are recorded as expenditures in the fund statements, and proceeds from debt issuances are recorded as other financing sources.

New Debt	(1,826,617)	
Principal Paid	<u>1,606,814</u>	(219,803)

Amortization is not recognized in the governmental fund statements, but is reported as an expense in the statement of activities.

Refunding Loss - Amortization		(104,711)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Adjustments are as follows:

Accrued Interest	10,242	
Other Postemployment Benefits	(647,597)	
Pension Adjustments	(1,158,812)	
Compensated Absences	<u>94,680</u>	(1,701,487)

Under the modified accrual basis of accounting used in governmental funds, revenues are recognized when they are earned, measurable, and available. In the statement of activities, however, which is presented on the accrual basis, revenues are recognized when they are earned and measurable.

(27,998)

Change in Net Position of Governmental Activities \$ 923,975

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Landfill	Water/Sewer Utility	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 455,059	\$ 47,839	\$ 502,898
Accounts Receivable	80,988	340,327	421,315
Due from Other Funds	4,830	-	4,830
Due from Other Governments	-	37,735	37,735
Inventories	-	34,874	34,874
Prepays	-	2,500	2,500
Restricted Assets:			
Cash and Cash Equivalents	8,835	95,205	104,040
Total Current Assets	549,712	558,480	1,108,192
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	5,158,568	1,703,100	6,861,668
Capital Assets - Nondepreciated	665,516	5,806,891	6,472,407
Capital Assets - Depreciated, Net	1,293,368	27,062,458	28,355,826
Total Noncurrent Assets	7,117,452	34,572,449	41,689,901
Total Assets	7,667,164	35,130,929	42,798,093
Deferred Outflows of Resources			
Contractual Rights	-	360,000	360,000
Pensions	118,673	230,519	349,192
Total Deferred Outflows of Resources	118,673	590,519	709,192
Liabilities			
Current Liabilities:			
Vouchers Payable	55,785	187,511	243,296
Accrued Liabilities	7,561	8,363	15,924
Accrued Interest	-	34,495	34,495
Due to Other Funds	3,226	6,244	9,470
Due to Other Governments	-	32,050	32,050
Deposits	8,835	80,122	88,957
Accrued Compensated Absences	2,783	4,786	7,569
Notes Payable	20,946	223,337	244,283
Bonds Payable	-	128,000	128,000
Total Current Liabilities	99,136	704,908	804,044
Noncurrent Liabilities:			
Due to Other Governments	-	29,027	29,027
Other Postemployment Benefits	163,409	213,890	377,299
Accrued Compensated Absences	25,045	43,072	68,117
Net Pension Liability	307,607	597,521	905,128
Notes Payable	74,725	4,024,303	4,099,028
Bonds Payable	-	6,917,130	6,917,130
Accrued Landfill Closure/Post-closure Costs	7,903,098	-	7,903,098
Advances from Other Funds	311,499	-	311,499
Total Noncurrent Liabilities	8,785,383	11,824,943	20,610,326
Total Liabilities	8,884,519	12,529,851	21,414,370
Deferred Inflows of Resources			
Pensions	6,890	13,384	20,274
Total Deferred Inflows of Resources	6,890	13,384	20,274
Net Position (Deficit)			
Net Investment in Capital Assets	1,863,213	22,417,048	24,280,261
Restricted for:			
Debt Service	-	427,800	427,800
Capital Expansion Program	-	1,275,300	1,275,300
Unrestricted (Deficits)	(2,968,785)	(941,935)	(3,910,720)
Total Net Position (Deficit)	\$ (1,105,572)	\$ 23,178,213	\$ 22,072,641

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Landfill	Water/Sewer Utility	Total
Operating Revenues			
Licenses and Permits	\$ -	\$ 3,225	\$ 3,225
Charges for Services	1,072,586	3,280,163	4,352,749
Special Assessments	609,506	-	609,506
Miscellaneous Operating Revenues	10,741	47,427	58,168
Total Operating Revenues	1,692,833	3,330,815	5,023,648
Operating Expenses			
Purchased Water	-	657,623	657,623
Personnel Services	460,464	837,718	1,298,182
Contracted Services	86,326	252,033	338,359
Supplies and Materials	41,337	128,758	170,095
Repairs and Maintenance	113,101	230,061	343,162
Other Services and Charges	197,369	162,622	359,991
Utilities	3,067	210,962	214,029
Uncollectible Accounts	-	54	54
Depreciation	423,041	1,623,940	2,046,981
Amortization	-	40,000	40,000
Provision for Closure and Long-term Care	425,719	-	425,719
(Total Operating Expenses)	(1,750,424)	(4,143,771)	(5,894,195)
Operating (Loss)	(57,591)	(812,956)	(870,547)
Nonoperating Revenues (Expenses)			
Operating Grants	90,909	-	90,909
Interest Income	23,436	5,690	29,126
Interest Expense	(10,826)	(378,700)	(389,526)
Gain (Loss) on Disposal of Capital Assets	26	(2,767)	(2,741)
Other Nonoperating Revenues (Expenses)	36,176	7,728	43,904
Total Nonoperating Revenues (Expenses)	139,721	(368,049)	(228,328)
Income (Loss) Before Transfers and Contributions	82,130	(1,181,005)	(1,098,875)
Operating Transfers			
Operating Transfers in	4,830	-	4,830
Operating Transfers (out)	-	(2,391)	(2,391)
Total Operating Transfers	4,830	(2,391)	2,439
Capital Contributions			
Capital Grants	-	553,096	553,096
Other Capital Contributions	-	1,121,802	1,121,802
Total Capital Contributions	-	1,674,898	1,674,898
Increase in Net Position	86,960	491,502	578,462
Total Net Position (Deficit), Beginning of Year:	(1,192,532)	22,686,711	21,494,179
Total Net Position (Deficit), End of Year	\$ (1,105,572)	\$ 23,178,213	\$ 22,072,641

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Landfill	Water/Sewer Utility	Total
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 1,685,275	\$ 3,313,558	\$ 4,998,833
Payments to Suppliers	(408,178)	(1,736,906)	(2,145,084)
Payments to Employees	(442,353)	(821,423)	(1,263,776)
Net Cash Provided by (Used In) Operating Activities	<u>834,744</u>	<u>755,229</u>	<u>1,589,973</u>
Cash Flows from Noncapital			
Financing Activities			
Transfers from Other Funds	4,830	-	4,830
Transfers to Other Funds	-	(2,391)	(2,391)
Interfund Loans (Repayments)	(40,430)	(41,251)	(81,681)
Operating Grants	91,278	-	91,278
Other Nonoperating Revenues (Expenses)	36,176	7,728	43,904
Net Cash Provided By (Used in) Noncapital Financing Activities	<u>91,854</u>	<u>(35,914)</u>	<u>55,940</u>
Cash Flows from Capital and Related			
Financing Activities			
Acquisition/Construction of Capital Assets	(173,789)	(1,721,154)	(1,894,943)
New Debt	-	1,146,564	1,146,564
Capital Grants	-	1,289,307	1,289,307
Principal Paid	(20,288)	(1,209,475)	(1,229,763)
Interest Paid	(10,826)	(381,303)	(392,129)
Proceeds from Sale of Capital Assets	26	764	790
Net Cash (Used in) Capital and Related Financing Activities	<u>(204,877)</u>	<u>(875,297)</u>	<u>(1,080,174)</u>
Cash Flows from Investing Activities			
Interest Received	23,436	5,690	29,126
Net Cash Provided By Investing Activities	<u>23,436</u>	<u>5,690</u>	<u>29,126</u>
Net Increase (Decrease) in Cash and Cash Equivalents	745,157	(150,292)	594,865
Cash and Cash Equivalents - Beginning of Year	<u>4,877,305</u>	<u>1,996,436</u>	<u>6,873,741</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,622,462</u>	<u>\$ 1,846,144</u>	<u>\$ 7,468,606</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Concluded)

	Business-type Activities - Enterprise Funds		
	Landfill	Water/Sewer Utility	Total
Cash and Cash Equivalents Classified as:			
Current Assets	\$ 455,059	\$ 47,839	\$ 502,898
Current Assets - Restricted	8,835	95,205	104,040
Noncurrent Assets - Restricted	5,158,568	1,703,100	6,861,668
Total Cash and Cash Equivalents	\$ 5,622,462	\$ 1,846,144	\$ 7,468,606
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided by Operating Activities:</u>			
Operating Income (Loss)	\$ (57,591)	\$ (812,956)	(870,547)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	423,041	1,623,940	2,046,981
Amortization	-	40,000	40,000
Uncollectible Accounts	-	54	54
Pension Adjustments	4,955	(5,748)	(793)
Unfunded Postemployment Benefits	18,826	26,356	45,182
Provision for Closure and Postclosure	425,719	-	425,719
Change in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(7,458)	(45,119)	(52,577)
Decrease (Increase) in Due from Other Governments	-	(37,574)	(37,574)
Decrease (Increase) in Inventories	-	11,954	11,954
Increase (Decrease) in Accounts Payable	33,022	69,313	102,335
Increase (Decrease) in Due to Governments	-	(138,540)	(138,540)
Increase (Decrease) in Accrued Liabilities	(4,277)	(9,599)	(13,876)
Increase (Decrease) in Deposits	(100)	27,862	27,762
Increase (Decrease) in Compensated Absences	(1,393)	5,286	3,893
Total Adjustments	892,335	1,568,185	2,460,520
Net Cash Provided by Operating Activities	\$ 834,744	\$ 755,229	\$ 1,589,973
<u>Supplemental Disclosure of Noncash Activities:</u>			
Capital Assets Contributed	\$ -	\$ 1,121,802	\$ 1,121,802

See accompanying notes.

DESOTO COUNTY, FLORIDA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2016

Assets

Cash and Cash Equivalents	\$ 1,274,642
Accounts Receivable	59,050
Due from Other Governments	222,994
Total Assets	<u>1,556,686</u>

Liabilities

Due to Other Governments	513,027
Due to Individuals and Businesses	542,062
Deposits	501,597
Total Liabilities	<u>\$ 1,556,686</u>

See accompanying notes.

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

Note 1 - Summary of Significant Accounting Policies

The financial statements of DeSoto County, Florida (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting policies used in these financial statements are described below.

A. Reporting Entity

The County is a political subdivision of the State of Florida established by the Constitution of the State of Florida, Article VIII, Section 1(e). It is governed by an elected Board of County Commissioners (the Board) which must comply with specific state statutes and regulations. In addition to the Board, there are five elected Constitutional Officers: Clerk of the Circuit and County Courts, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. The Constitutional Officers maintain separate accounting records and budgets. The Board funds a portion or, in certain instances, all of the operating budgets, of the County's Constitutional Officers. The operations of each Constitutional Officer are reported as part of the consolidated General Fund and nonmajor special revenue funds within the County's financial statements.

As required by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, the financial reporting entity consists of: (1) the primary government of the County; (2) organizations for which the County is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County is financially accountable if it appoints a voting majority of the organization's governing body and: (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County may be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has: (1) a separately elected governing board; (2) a governing board appointed by a higher level of government; or (3) a jointly appointed board. Based on these criteria, County management examined all organizations which were legally separate in order to determine which organizations, if any, should be included in the County's financial statements. Management determined that the County has no component units.

However, the Board has created several taxing districts by ordinance or resolution, and these are included in the financial statements as special revenue funds. They include Fire and Emergency Medical Service (EMS), Kings Crossing Lighting District, Golden Melody Lighting District, Spring Lakes Lighting District, Harlem Heights Lighting District, Lake Suzy Lighting District, Peace River Lighting District, and the McClelland Improvement District.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Concluded)

The County is responsible for appointing members of the Board of the DeSoto Memorial Hospital but is not accountable for this organization. Other governmental entities who serve all or part of the County's population include the City of Arcadia and the DeSoto County School Board. These entities are autonomous organizations with their own governmental powers and constituencies.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses and indirect costs of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are those costs that are allocated to functions and activities in accordance with the County's adopted indirect cost allocation plan. The "Expenses" column includes both direct and indirect expenses. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Reconciliations are provided that convert the results of governmental fund accounting to the government-wide financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, emergency services fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Reimbursement-type grants are considered susceptible to accrual when all restrictions have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The financial transactions of the County are recorded in individual funds. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets plus deferred outflows, liabilities plus deferred inflows, revenues or expenditures/expenses of either fund category, or the governmental and enterprise combined), for the determination of major funds. In addition, funds may be considered major for qualitative reasons.

The County reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the primary government, except those required to be accounted for in another fund.
- The *County Transportation Fund*, a special revenue fund, was created pursuant to the provisions of Section 129.02, Florida Statutes, to account for restricted transportation-related grants and gas taxes, and expenditures not more properly accounted for elsewhere.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Fund Financial Statements (Concluded)

The County reports the following major governmental funds: *(Concluded)*

- The *Fire and EMS Fund* is a special revenue fund used to account for the revenue and costs of providing fire-fighting and emergency medical services throughout the County. Its significant restricted revenues come from special assessments.

The County reports the following major enterprise funds:

- The *Landfill Fund* accounts for the fiscal activity of all solid waste disposal within the County.
- The *Water/Sewer Utility Fund* accounts for the fiscal activity of providing water and wastewater services to residential and commercial customers in the County's service area.

Additionally, the County reports the following fund types:

- *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specified purposes.
- A *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.
- *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Agency Funds* are custodial in nature and do not involve measurement of results of operations. They are excluded from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the ongoing costs of providing these sales and services, administrative expenses, depreciation of capital assets, and amortization of landfill closure and post-closure costs. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Requirements

The following procedures are utilized by the County in establishing and/or amending the budgetary information contained in the financial statements:

- On or before July 15 of each year, or within 15 days after the receipt of certified taxable property values from the Property Appraiser, whichever occurs last, management presents to the Board a proposed budget for the fiscal year commencing the following October 1. Pursuant to the provisions of Section 129.01, Florida Statutes, the proposed budget as submitted contains balanced statements of estimated revenues (including unexpended fund balances to be carried forward) and proposed appropriations for all funds of the County, except agency funds.
- Following a preliminary review of the proposed budgets by the Board, whose members make such changes as are deemed necessary (provided that the proposed budget for each fund remains balanced), the Board causes a notice of proposed property taxes to be mailed to each County property taxpayer. Included in the notice is a statement of the Board's intent to hold a public hearing to consider adoption of the tentative millage rates and budgets, as well as a comparison of the taxpayer's proposed property tax bill with the actual tax bill of the preceding year.
- Following successful completion of the above-referenced public hearings, the Board advertises and subsequently conducts a second public hearing to finally adopt a millage rate and budget for each of the taxing entities under their jurisdiction. These public hearings are ordinarily held prior to October 1 each year. If, however, for some reason the Board is unable to finally adopt a budget prior to October 1, state law permits the re-adoption by resolution of the budget of the preceding year as an interim measure.
- Adoption and execution of the budgets are governed in accordance with applicable provisions of the Florida Statutes. The budget is legally enacted by resolution.
- Formal budgetary integration at the object level is used as a management control device for all governmental funds of the County for which annual budgets are adopted. The level at which expenditures may not legally exceed appropriations is the functional level for the County's general fund (e.g., general government, public safety), the fund level for other Board funds, and for the Constitutional Officers.
- Budgets for the general fund and major special revenue funds are adopted on a basis consistent with GAAP. However, beginning in 2011, certain budgetary funds have been combined for financial reporting purposes. For financial reporting, the general fund includes the following funds of the County or its Officers that are budgeted separately:
 - Board of County Commissioners (BOCC) General Fund
 - Clerk of the Courts General Fund
 - Property Appraiser General Fund
 - Sheriff General Fund
 - Supervisor of Elections General Fund
 - Tax Collector General Fund

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Requirements (Concluded)

The required supplementary information (RSI) section presents budget vs. actual information for the general fund and major special revenue funds. Where needed, combining schedules of revenues, expenditures, and changes in fund balance are presented as other supplementary information which will reconcile the actual column of the budgetary schedules to the amounts reported in the basic financial statements.

All appropriations lapse at the end of each fiscal year, although the County expects to honor purchase orders and contracts in process, subject to authority provided in the subsequent years' budget.

E. Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board, and other property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of Florida regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills. The tax millage rate for general operations of the County was 8.5060 mills for fiscal year ended September 30, 2016.

The tax levy of the County is established by the Board prior to October 1 of each year and the Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, independent districts, and the County School Board tax requirements.

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

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

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

Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

The County does not accrue its portion of the County-held tax sale certificates or personal property tax warrants because such amounts are not considered to be material.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Property Taxes (Concluded)

Key dates in the property tax cycle for the fiscal year ended September 30, 2016, were as follows:

Assessment Roll Certified	July 2015
Beginning of Fiscal Year for Which Taxes were Being Levied	October 2015
Property Taxes Levied	October 2015
Tax Bills Issued	November 1, 2015
Property Taxes Due by: For Maximum Discount	November 30, 2015
Delinquent After	March 31, 2016
Tax Certificates (Liens) Sold on Unpaid Property Taxes	May 15, 2016

F. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

G. Interfund Payables and Receivables

Unpaid amounts of current interfund transactions at year-end are reflected as “Due from Other Funds” or “Due to Other Funds” in the related fund financial statements. Noncurrent portions of interfund payables and receivables are reported as “Advances”. In governmental funds, advances receivable are offset equally by a nonspendable fund balance which indicates that they do not constitute expendable financial resources available for appropriation. In the entity-wide financial statements, interfund transactions within governmental and business-type activities are eliminated and the net amount is reported as internal balances on the statement of net position.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposit accounts, repurchase agreements with financial institutions, certificates of deposit, money market accounts, deposits in the Florida PRIME administered by the State Board of Administration (SBA), and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

I. Investments

Investments, if any, are carried at fair market value unless the investment qualifies as an external investment pool under the guidance of GASB Statement No. 79, which allows under certain criteria, these investments to be recorded at amortized cost. The Florida PRIME is considered a stable value investment pool. The Office of the Auditor General of the State of Florida performs the operational audit of the activities and investments of the SBA.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

J. Inventories and Prepaids

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. Prepaids represent payments made to vendors for services that will benefit beyond September 30, 2016. These payments are generally recorded as expenditures or expenses when consumed rather than when purchased.

K. Restricted Assets

The use of certain assets is restricted by specific provisions of debt resolutions, developer agreements, or landfill regulations. Assets so designated are identified as restricted assets on the statement of net position, since their use is limited.

L. Utility Receivables

Water and wastewater operating revenues are generally recognized on the basis of cycle billings rendered monthly. Revenues for services rendered during the current fiscal year are billed at the close of the fiscal year.

M. Special Assessment Receivables

The Board imposes special assessments against property located within specified areas, as set forth in the related assessment resolution, for the construction of improvements. The assessment of each parcel is generally based upon the lineal feet of frontage along the areas to be improved. The assessments are collected on the ad valorem tax bill, as authorized by Section 197.3632, Florida Statutes.

N. Capital Assets

Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (e.g., roads, bridges, sidewalks, water mains and wastewater force mains, landfill facilities, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All land and land improvements are capitalized. Buildings and intangibles with initial costs of \$50,000 or more, and furniture and equipment with initial costs of \$1,000 or more and estimated useful lives of over one year, are recorded as capital assets.

Roads, bridges, and other infrastructure assets are capitalized when their initial costs equal or exceed \$50,000 and possess estimated useful lives of more than one year. Governmental infrastructure constructed prior to June 30, 1980, is not reported, as permitted by GASB Statement No. 34.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date contributed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, when required.

Intangibles assets are amortized over their useful lives, when the length of their lives is limited by contractual or legal limitations. Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives in the period they are placed in service:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

N. Capital Assets (Concluded)

Buildings and Improvements	10-50 Years
Landfill and Water/Sewer Structures	10-50 Years
Machinery, Equipment, and Vehicles	2-20 Years
Infrastructure	10-50 Years

O. Deferred Outflows/Deferred Inflows

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position (or fund balance) that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position (or balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position (or fund balance) that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Compensated Absences

It is the County's general policy to grant all permanent full-time and part-time employees annual leave based upon the number of years of employment. Employees are encouraged to use their annual leave in the year that it is earned. The County records compensated absences in governmental funds as expenditures for the amount accrued during the year that would normally be liquidated with expendable, available financial resources. The County accrues compensated absences in the period they are earned in the government-wide and enterprise fund financial statements.

Q. Landfill Closure Costs

The Board recognizes municipal solid waste landfill closure and post-closure care costs under the State of Florida's *Solid Waste Management Act of 1988*, regulations of the Federal Environmental Protection Agency, and GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs*. The Board is required to place a final cover on closed landfills and to provide long-term care for up to 30 years after closure. These obligations for closure and post-closure are recognized in the enterprise fund for the County's landfill operations over the active life of the landfill, based on landfill capacity.

R. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Principal payments reduce these obligations. Refunding losses are reported as deferred outflows and amortized over the remaining term. Issuance costs are expensed as incurred.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Principal, interest, and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

S. Other Postemployment Benefits

It is the County's policy to provide retirement health benefits based on three classes of employees as discussed further in Note 9. The County records other postemployment benefit liabilities based on actuarially-determined annual costs in the government-wide and enterprise fund financial statements.

T. Unearned Revenues/Unavailable Revenues

Unearned revenues reported on the balance sheet or statement of net position represents revenues that have been received but not earned. Deferred Inflows – Unavailable Revenues on the governmental fund balance sheet represents revenues that are earned and receivable, but have not been recognized because they have not met the “availability” criteria for governmental fund revenues.

U. Grant Revenues

Program and capital grants received by governmental funds are recorded in the applicable governmental fund as receivables and revenues at the time reimbursable costs are incurred and all significant grant restrictions are satisfied. Grant revenues received in advance of meeting all major grant restrictions are reported as unearned revenues. Grant revenues that have met all significant restrictions, but have not met the “availability” criteria, are reported as deferred inflows.

V. Fund Balance and Net Position

Government-wide Statements

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- *Net investment in capital assets*—Consists of capital assets net of accumulated depreciation and other assets financed by the related debt, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted*—Consists of net position with constraints placed on their use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted*—Consists of the net amount of assets (plus deferred outflows) and liabilities (plus deferred inflows) that are not included in the determination of net investment in capital assets or the restricted component of net position.

Proprietary Fund Statements

In the fund financial statements, proprietary fund equity is classified the same as in the government-wide statements.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

V. Fund Balance and Net Position (Concluded)

Governmental Fund Financial Statements

In accordance with GASB Statement No. 54, the County classifies governmental fund balances as follows:

- *Nonspendable Fund Balance*—Represents fund balance that is: (a) not in a spendable form such as prepaid items; or (b) legally or contractually required to be maintained intact such as an endowment.
- *Restricted Fund Balance*—Consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources such as voter approved gas taxes and grant revenues.
- *Committed Fund Balance*—Self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for specific purposes as determined by a formal action of the highest level of decision-making authority (i.e., the County Commission by ordinance, or where applicable, a Constitutional Officer by policy). In addition, to meet this classification, the expenditure constraint cannot be removed except by a similar formal action.
- *Assigned Fund Balance*—Amounts that are subject to a purpose constraint that represents an intended use established by the County Commission or by their designated body or official. (To date, the Board has not designated any such body or official). The purpose of the assignment must be narrower than the purpose of the fund. Formal action is *not* necessary to impose, remove, or modify a constraint in this category. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year’s budget. It is also used for residual balances in special revenue funds, debt service, and capital projects funds.
- *Unassigned Fund Balance*—Represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications of the general fund. This classification also includes deficit fund balances of other governmental funds.

Minimum Fund Balance Policy

The Board adopted a Fund Balance Policy on January 22, 2013, pursuant to County Resolution 2013-04, which included a paragraph on minimum fund balance. The minimum fund balance “will be established by the Board to commit funds to ensure an adequate operating balance can be maintained.” As of September 30, 2016, that portion of the policy had not been updated. However, subsequent to year-end, this policy has been updated.

Use of Available Equity

When both restricted and unrestricted resources are available for use, it is the County’s policy to use unrestricted resources (committed, assigned, and unassigned) first, and then restricted resources, as they are needed for their intended purposes. When unrestricted resources are available for use, it is the County’s policy to use committed resources, then assigned, and then unassigned, as needed.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Deposits/Investments

A. Deposits

At September 30, 2016, the carrying amount of the County's deposits was \$14,463,049 (including \$1,274,642 in the agency funds). All of the County's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280. Qualified public depositories are required to pledge collateral to the State Treasurer with a market value equal to 50% of the average daily balance of all public deposits in excess of any federal deposit insurance. In addition, to the extent that total public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

In the event of default by a qualified public depository, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Therefore, all cash and time deposits held by banks are fully insured and collateralized.

In addition to the cash deposits, the County maintains cash on hand for the purpose of making change on transactions. At September 30, 2016, the County held \$10,215 in cash on hand.

B. Investments

The Board's investment policy (adopted based upon the requirements established by Florida Statutes) and bond resolutions authorize the Board to invest in U.S. Treasury obligations, obligations unconditionally guaranteed by the U.S. government, time deposits and savings deposits of banks organized under the laws of the State of Florida or the United States and operating in Florida, specific obligations of U.S. government agencies, repurchase agreements, high-grade commercial paper, bankers' acceptances, state and local government obligations, and the State of Florida Local Government Surplus Funds Trust (Florida PRIME).

Florida Statute 218.415(15) authorizes the Constitutional Officers to invest surplus public funds in the Florida PRIME Fund administered by the SBA; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; savings accounts and certificates of deposit, in state-certified, qualified public depositories; direct obligations of the U.S. Treasury such as U.S. Treasury notes, bills and bonds; and direct obligations of federal agencies and instrumentalities such as bonds, notes, and discount notes of the Federal Home Loan Mortgage Association, Federal National Mortgage Association, Federal Farm Credit, and Student Loan Marketing Association. Several of the Constitutional Officers have adopted investment policies in accordance with the Florida Statute and also authorized investment in repurchase agreements.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Deposits/Investments (Continued)

C. Other Risk Disclosures

The County's and County Officers' investment policies broadly address exposure to interest rate changes, custodial credit risk, concentration risk, and quality credit risk. The following items discuss the County's exposure to various risks in primarily the fixed-rate portions of their investment portfolios:

- *Credit Quality*—In addition to specifying permitted investments, County policies require those investments to be of a specified minimum quality, as identified below:
 - Commercial Paper—U.S. corporations having a rating of at least two out of three of the following:
 - ▶ A-1 by Standard & Poor's
 - ▶ P-1 by Moody's
 - ▶ F-1 by Fitch Investors
 - Bankers' Acceptances—which are eligible for purchase by the Federal Reserve Banks and have a Letter of Credit rating of A or better.
 - Tax-exempt Obligations of the State of Florida or any of its various political subdivisions—rated A+ or better by Standard & Poor's.
- *Interest Rate Risk*—The County does not own any fixed-rate investments, nor owned any fixed-rate investments during 2016. The County's policy identifies *safety of capital* as the highest priority in the handling of investments for the County. All other investment objectives are secondary to the safety of capital. The policy anticipates that a liquidity base of approximately two months of anticipated disbursements, excluding debt reserves, will be kept in relatively short-term investments. Beyond that, portfolio composition and maturities are left to the discretion of the County Administrator, as the Chief Financial Officer, within the limitations of the policy.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Deposits/Investments (Concluded)

C. Other Risk Disclosures (Concluded)

- *Custodial Credit Risk*—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For County deposits, the County and Officers are under no obligation to secure additional custodianship or collateral beyond the provisions set forth in Chapter 280 (discussed above), except in the case of repurchase agreements. For repurchase agreements, the County policy requires use of the Bond Market Association’s Master Repurchase Agreement, with specified terms. For other investments, County and Officer Policies require a prequalification process when selecting investment management and custodial services, and require independent third party custodians. Certificates of deposit, if purchased, would be physically held by the County.

- *Concentration of Credit Risk*—The County’s policies mitigate concentration of credit risk by diversifying the investment portfolio so that the potential losses on individual securities will be minimized. The policies require diversification to prevent an overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold. Following are the maximum permitted percentages of investments in specific instruments:

Certificates of Deposit	20%
Commercial Paper	30%
Qualified Bankers’ Acceptances	30%
Florida Tax Exempt Obligations	20%
Local Government Surplus Funds Trust Fund	No Limit

D. Restricted Cash

Following is a summary of restricted cash and cash equivalents at September 30, 2016:

	Governmental Funds	Proprietary Funds
Major Funds:		
General Fund - Mining Escrow	\$ 604,282	\$ -
Landfill - Closure/Post-closure	-	5,158,568
Landfill - Deposits	-	8,835
Water/Sewer Utility - Wastewater Impact Fees	-	1,275,300
Water/Sewer Utility - SRF Reserve	-	427,800
Water/Sewer Utility - Deposits	-	60,510
Water/Sewer Utility - Accrued Interest	-	34,695
Nonmajor Funds:		
Special Revenue Fund - Court Fees Fund	53,123	-
Total	\$ 657,405	\$ 6,965,708

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 3 - Interfund Receivables, Payables, and Transfers

The composition of short-term interfund balances as of September 30, 2016, is as follows:

	<u>Due from</u>	<u>Due to</u>	<u>Purpose</u>
Governmental Funds			
General Fund (GF)	\$ 789,001	\$ 45,189	Receivables are primarily to cover fund cash shortages in other funds (\$608,117), for Officer excess fees (\$98,239), for payroll (\$82,645), and for Agency (\$0). Payables are for Officer excess fees.
County Transportation	-	152,964	Payables are to GF for cash shortage and payroll.
Fire and EMS	26,817	187,361	Receivables are for Officer excess fees. Payables are to GF for cash shortage loan (\$129,359), and payroll (\$58,002).
Nonmajor Special Revenue	13,542	439,206	Receivables are for Officer excess fees. Payables are to GF for cash shortage loan (\$337,986), payroll (\$2,981), and for Officer excess fees (\$98,239).
Enterprise Funds			
Landfill	4,830	3,226	Receivables are for Officer excess fees. Payables are to GF for payroll.
Water/Sewer Utility	-	6,244	Payables are to GF for payroll.
	<u>\$ 834,190</u>	<u>\$ 834,190</u>	

The composition of interfund advances as of September 30, 2016, is as follows:

	<u>Advance to</u>	<u>Advance from</u>	
General Fund (GF)	\$ 355,694	\$ -	Loan for cash shortage to Debt Service
Nonmajor Debt Service (DS)	311,499	355,694	Loan to Landfill for DS early payment
Landfill	-	311,499	Loan for Debt Service early payment
	<u>\$ 667,193</u>	<u>\$ 667,193</u>	

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 3 - Interfund Receivables, Payables, and Transfers (Concluded)

Interfund transfers consist of the following:

	Transfers in	Transfers out	Purpose
Governmental Funds			
General Fund	\$ 358,942	\$ 4,007,735	Transfers in are from Officer excess fees (\$98,239), and administrative costs paid by other funds (\$260,703). Transfers out are to cover various programs in other funds (\$2,922,206), debt service (\$154,702), for Officer funding (\$885,638), and for Officer excess fees (\$45,189).
County Transportation	2,064,337	1,659,580	Transfers in are for funding transportation projects. Transfers out are to DS Fund for debt payment (\$1,652,416), and to GF for administrative costs (\$7,164).
Fire and EMS	794,992	200,338	Transfers in are for funding of emergency response projects (\$768,175), and from Officer excess fees (\$26,817). Transfers out are to DS Fund for debt payment (\$132,472) and to fund Construction projects (\$67,866).
Nonmajor Special Revenue	1,073,703	366,350	Transfers in are for Officer funding (\$885,638), program costs (\$106,657), to cover preliminary costs of new fire station (\$67,866), and from Officer excess fees (\$13,542). Transfers out are primarily for GF admin costs (\$251,148), for funding various programs (\$16,963), and for Officer excess fees (\$98,239).
Nonmajor Debt Service	1,939,590	-	Transfers in are to cover debt service payments.
Enterprise Funds			
Landfill	4,830	-	Transfers in are from Officer excess fees.
Water/Sewer Utility	-	2,391	Transfers out are to GF for administrative costs.
	<u>\$ 6,236,394</u>	<u>\$ 6,236,394</u>	

Note 4 - Other Receivables

Following is a summary of other receivables balances at September 30, 2016:

	Accounts	Special Assessments	Notes	Total
Governmental Funds				
General Fund	\$ 414,912	\$ -	\$ -	\$ 414,912
County Transportation	1,454	-	-	1,454
Fire and EMS	329,396	9,688	-	339,084
Nonmajor Special Revenue	10,664	10,494	9,234,056	9,255,214
(Less Allowance)	(75,000)	-	(7,684,690)	(7,759,690)
Total Governmental Funds	<u>681,426</u>	<u>20,182</u>	<u>1,549,366</u>	<u>2,250,974</u>
Enterprise Funds				
Landfill	80,988	-	-	80,988
Water/Sewer Utility	340,327	-	-	340,327
Total Enterprise Funds	<u>421,315</u>	<u>-</u>	<u>-</u>	<u>421,315</u>
Agency Funds	<u>59,050</u>	<u>-</u>	<u>-</u>	<u>59,050</u>
Totals	<u>\$ 1,161,791</u>	<u>\$ 20,182</u>	<u>\$ 1,549,366</u>	<u>\$ 2,731,339</u>

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 4 - Other Receivables (Concluded)

The entire balance of Notes Receivable at September 30, 2016, is noncurrent. All other net receivables above are considered to be current.

Notes Receivable

Loans in the State Housing Initiative Partnership Program (SHIP) have been provided for home rehabilitation, reconstruction, or down-payment assistance under terms of the various grant programs. Receivables are generally secured by zero-interest, primary, or subordinate mortgages on the affected property; some with principal due in full when the property is sold or otherwise transferred, or after thirty years, and some forgiven with the passage of time.

Water/Sewer Utility Accounts Receivable

Accounts receivable for the Water/Sewer Utility Fund includes outstanding receivable balances for customer usage charges.

Note 5 - Capital Assets

A. Changes in Capital Assets

The following shows the changes in capital assets for governmental activities:

	Beginning Balance *				Ending Balance
	10/01/2015	Additions	Transfers	Disposals	9/30/2016
Governmental Activities					
Capital Assets, Not Depreciated:					
Land and Easements	\$ 3,511,737	\$ 12,000	\$ -	\$ (65,678)	\$ 3,458,059
Construction in Progress	1,277,965	1,404,396	(2,055,721)	-	626,640
Total Capital Assets, Not Depreciated	4,789,702	1,416,396	(2,055,721)	(65,678)	4,084,699
Capital Assets, Depreciated:					
Buildings and Improvements	27,859,170	1,783,508	-	(472,430)	29,170,248
Intangibles	509,722	-	-	-	509,722
Machinery and Equipment - Board	11,798,364	198,460	(2,954)	(479,141)	11,514,729
Machinery and Equipment - Sheriff	5,071,710	815,288	-	(453,948)	5,433,050
Infrastructure	29,488,276	-	2,055,721	-	31,543,997
Total Capital Assets, Depreciated	74,727,242	2,797,256	2,052,767	(1,405,519)	78,171,746
Less Accumulated Depreciation for:					
Buildings and Improvements	(13,566,599)	(1,018,317)	-	472,430	(14,112,486)
Intangibles	(477,228)	(19,236)	-	-	(496,464)
Machinery and Equipment - Board	(8,986,718)	(687,916)	468	473,989	(9,200,177)
Machinery and Equipment - Sheriff	(3,771,609)	(609,084)	-	446,223	(3,934,470)
Infrastructure	(8,361,443)	(1,066,813)	-	-	(9,428,256)
Total Accumulated Depreciation	(35,163,597)	(3,401,366)	468	1,392,642	(37,171,853)
Total Capital Assets, Depreciated	39,563,645	(604,110)	2,053,235	(12,877)	40,999,893
Governmental Activities Capital Assets	\$ 44,353,347	\$ 812,286	\$ (2,486)	\$ (78,555)	\$ 45,084,592

* The beginning balance was increased as more fully described in Note 15.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 5 - Capital Assets (Continued)

A. Changes in Capital Assets (Continued)

The following is a summary of governmental activities depreciation expense by function:

<u>Depreciation Expense by Function</u>	
Governmental Activities	
General Government	\$ 314,548
Public Safety (Board)	535,916
Public Safety (Sheriff)	609,084
Physical Environment	18,333
Transportation	1,074,831
Economic Environment	115
Human Services	125,160
Culture/Recreation	707,245
Court Services	16,134
Total Depreciation Expense	<u> </u>
Governmental Activities	<u><u>\$ 3,401,366</u></u>

The following shows the changes in capital assets for the County's business-type activities, by fund:

	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>				<u>Balance</u>
	<u>10/01/2015</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>9/30/2016</u>
Landfill Fund					
Capital Assets, Not Depreciated:					
Land	\$ 483,337	\$ -	\$ -	\$ -	\$ 483,337
Construction in Progress	8,390	173,789	-	-	182,179
Total Capital Assets, Not Depreciated	<u>491,727</u>	<u>173,789</u>	<u>-</u>	<u>-</u>	<u>665,516</u>
Capital Assets, Depreciated:					
Buildings and Improvements	245,520	-	-	-	245,520
Infrastructure	7,246,474	-	-	-	7,246,474
Machinery and Equipment	934,484	-	-	(1,344)	933,140
Total Capital Assets, Depreciated	<u>8,426,478</u>	<u>-</u>	<u>-</u>	<u>(1,344)</u>	<u>8,425,134</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(119,310)	(12,276)	-	-	(131,586)
Infrastructure	(6,035,640)	(346,594)	-	-	(6,382,234)
Machinery and Equipment	(555,119)	(64,171)	-	1,344	(617,946)
Total Accumulated Depreciation	<u>(6,710,069)</u>	<u>(423,041)</u>	<u>-</u>	<u>1,344</u>	<u>(7,131,766)</u>
Total Capital Assets, Depreciated	<u>1,716,409</u>	<u>(423,041)</u>	<u>-</u>	<u>-</u>	<u>1,293,368</u>
Landfill Capital Assets	<u><u>\$ 2,208,136</u></u>	<u><u>\$ (249,252)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,958,884</u></u>

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 5 - Capital Assets (Continued)

A. Changes in Capital Assets (Continued)

	Beginning Balance 10/01/2015	Additions	Transfers	Disposals	Ending Balance 9/30/2016
Water/Sewer Utility					
Capital Assets, Not Depreciated:					
Land and Easements	\$ 2,202,018	\$ 273,838	\$ -	\$ -	\$ 2,475,856
Construction in Progress	1,954,235	1,687,539	(310,739)	-	3,331,035
Total Capital Assets, Not Depreciated	4,156,253	1,961,377	(310,739)	-	5,806,891
Capital Assets, Depreciated:					
Buildings and Improvements	846,653	-	-	-	846,653
Intangibles	60,278	-	-	-	60,278
Machinery and Equipment	750,564	13,994	2,954	(22,667)	744,845
Infrastructure	1,819,239	-	-	-	1,819,239
Water Distribution System	36,155,007	864,631	310,739	-	37,330,377
Total Capital Assets, Depreciated	39,631,741	878,625	313,693	(22,667)	40,801,392
Less Accumulated Depreciation for:					
Buildings and Improvements	(387,919)	(46,193)	-	-	(434,112)
Intangibles	(17,782)	(14,046)	-	-	(31,828)
Machinery and Equipment	(516,604)	(55,061)	-	19,136	(552,529)
Infrastructure	(378,529)	(79,527)	-	-	(458,056)
Water Distribution System	(10,833,296)	(1,429,113)	-	-	(12,262,409)
Total Accumulated Depreciation	(12,134,130)	(1,623,940)	-	19,136	(13,738,934)
Total Capital Assets, Depreciated	27,497,611	(745,315)	313,693	(3,531)	27,062,458
Water/Sewer Utility Capital Assets	\$ 31,653,864	\$ 1,216,062	\$ 2,954	\$ (3,531)	\$ 32,869,349

The following is a summary of business-type activities depreciation expense by activity:

Depreciation Expense by Activity	
Business-type Activities	
Landfill	\$ 423,041
Water/Sewer Utility	1,623,940
Total Depreciation Expense	
Business-type Activities	\$ 2,046,981

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 5 - Capital Assets (Concluded)

A. Changes in Capital Assets (Concluded)

The following summarizes capital assets found on the statement of net position for governmental activities and business-type activities:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Land and Easements	\$ 3,458,059	\$ 2,959,193	\$ 6,417,252
Construction in Progress	626,640	3,513,214	4,139,854
Capital Assets - Nondepreciable	<u>\$ 4,084,699</u>	<u>\$ 6,472,407</u>	<u>\$ 10,557,106</u>
Buildings and Improvements	\$ 29,170,248	\$ 1,092,173	\$ 30,262,421
Intangibles	509,722	60,278	570,000
Machinery and Equipment - Board	11,514,729	1,677,985	13,192,714
Machinery and Equipment - Sheriff	5,433,050	-	5,433,050
Water Distribution System	-	37,330,377	37,330,377
Infrastructure	31,543,997	9,065,713	40,609,710
	<u>78,171,746</u>	<u>49,226,526</u>	<u>127,398,272</u>
(Less Accumulated Depreciation)	(37,171,853)	(20,870,700)	(58,042,553)
Capital Assets - Depreciable	<u>\$ 40,999,893</u>	<u>\$ 28,355,826</u>	<u>\$ 69,355,719</u>

B. Construction Commitments

The following is a summary of major construction contract commitments remaining at fiscal year-end:

<u>Project</u>	<u>Contract Amount</u>	<u>Expended as of 09/30/16</u>	<u>Remaining Commitment</u>
SCS Engineers	\$ 699,471	\$ 196,460	\$ 503,011
HWY US17 - Water	2,433,465	992,126	1,441,339
HWY US17 - Waste Water	2,204,490	1,741,769	462,721
Compactor - Leasing 2, Inc. - Capital Lease	625,288	-	625,288
Thornton Creek Motor Coach Resort	200,000	100,000	100,000
Total Commitments	<u>\$ 6,162,714</u>	<u>\$ 3,030,355</u>	<u>\$ 3,132,359</u>

Note 6 - Long-term Debt

A. Schedule of Changes in Long-term Debt

The County's outstanding long-term debt includes bonds payable, loans payable, capital leases, compensated absences, other postemployment benefits, net pension liability, and accrued landfill closure costs. The following is a schedule of changes in the County's long-term debt for the fiscal year ended September 30, 2016:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Long-term Debt (Continued)

A. Schedule of Changes in Long-term Debt (Concluded)

	Balance			Balance	Due Within	Long-term
	10/01/15*	Additions	Reductions	9/30/16	One Year	Portion
Governmental Activities						
Notes Payable:						
Revenue Note, Series 2010	\$ 11,685,000	\$ -	\$ (1,325,000)	\$ 10,360,000	\$ 1,360,000	\$ 9,000,000
Sales Tax Refunding						
Revenue Note, Series 2012	1,755,000	-	(218,000)	1,537,000	223,000	1,314,000
Arcadia Bank Loan 2016A	-	919,857	-	919,857	-	919,857
Arcadia Bank Loan 2016B	-	906,760	-	906,760	148,832	757,928
Installment Purchases	188,009	-	(63,813)	124,196	44,276	79,920
Long-term Debt - At Par	13,628,009	1,826,617	(1,606,813)	13,847,813	1,776,108	12,071,705
Other Long-term Obligations:						
Other Postemployment						
Benefits Liability	5,276,188	647,597	-	5,923,785	-	5,923,785
Compensated Absences:						
Board	501,845	-	(7,707)	494,138	49,414	444,724
Clerk	27,273	-	(7,670)	19,603	3,787	15,816
Property Appraiser	40,547	-	(280)	40,267	4,027	36,240
Sheriff	390,988	-	(83,342)	307,646	30,765	276,881
Supervisor	5,250	2,500	-	7,750	775	6,975
Tax Collector	5,132	1,819	-	6,951	695	6,256
Net Pension Liability	12,919,140	9,744,930	-	22,664,070	-	22,664,070
Governmental Activities						
Long-term Liabilities	\$ 32,794,372	\$ 12,223,463	\$ (1,705,812)	\$ 43,312,023	\$ 1,865,571	\$ 41,446,452
Business-type Activities						
Bonds and Notes Payable:						
Revenue Bonds	\$ 7,168,130	\$ -	\$ (123,000)	\$ 7,045,130	\$ 128,000	\$ 6,917,130
Notes Payable	4,303,510	1,146,564	(1,106,763)	4,343,311	244,283	4,099,028
Total Long-term Debt	11,471,640	1,146,564	(1,229,763)	11,388,441	372,283	11,016,158
Other Long-term Obligations:						
Due to Florida Department						
of Transportation	199,617	-	(138,540)	61,077	32,050	29,027
Landfill Closure Costs	7,477,379	425,719	-	7,903,098	-	7,903,098
Other Postemployment						
Benefits Liability	332,117	45,182	-	377,299	-	377,299
Compensated Absences	71,793	3,893	-	75,686	7,569	68,117
Net Pension Liability	581,199	323,929	-	905,128	-	905,128
Business-type Activities						
Long-term Liabilities	\$ 20,133,745	\$ 1,945,287	\$ (1,368,303)	\$ 20,710,729	\$ 411,902	\$ 20,298,827

* The beginning balance has been restated by the inclusion of the building fund as a special revenue fund, rather than an enterprise fund, as more fully described in Note 15.

Compensated absences and other postemployment benefits will be liquidated in future periods primarily by the general fund. The net pension liability will be liquidated through employer contributions by the funds where then current employees reside.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Long-term Debt (Continued)

B. Bonds and Notes Payable

Bonds and notes outstanding at September 30, 2016, consist of the following for governmental activities:

	<u>Purpose of Issue</u>	<u>Amount</u>	<u>Outstanding</u>	<u>Rate</u>
Governmental Activities				
Revenue Notes:				
Capital Improvement Refunding Note Series 2010 (Matures 2022)	Refunding of Series 2002 Capital Improvement Revenue Bonds	\$ 15,450,000	\$ 10,360,000	2.80%
Revenue Note Series 2012 (Matures 2022)	Purchase Fire Truck and Refinance Notes	2,280,000	1,537,000	2.15%
FPL Savings Note 2016A & 2016B	To Finance FPL Savings Project	919,857	919,857	3.25%
		906,760	906,760	3.25%
Installment Notes:				
Lease to Own (Matures 2014 - 2019)	Various County Equipment	390,806	124,196	2.15% - 2.95%
Total Governmental Activities Notes Payable			<u>\$ 13,847,813</u>	

The Capital Improvement Refunding Revenue Note, Series 2010 is secured by a pledge of all legally available non-ad valorem revenues of the County, excluding enterprise fund revenues. The total principal and interest remaining to be repaid on the bonds is \$11,407,340. Debt service for 2016 was \$1,633,630. Pledged revenues for 2016 (BOCC general fund only) were \$11,599,045.

The Sales Tax Refunding Revenue Note, Series 2012 is secured by a pledge of certain sales tax revenues (pari-mutuel replacement program) with a backup covenant of non-ad valorem revenues of the County. The total principal and interest remaining to be repaid on the bonds is \$1,655,142. Debt service for 2016 was \$254,572. Pledged revenues for 2016 were \$314,333.

The FPL Savings Project is in relation to the agreement between the County and Florida Power and Light to reduce energy costs by replacing fixtures throughout the County. The amount of the loan is expected to be recovered by energy savings resulting from updating fixtures. The County began making interest payments on the notes in 2016, but will not begin making principal payments on the notes until 2017. The total principal and interest remaining to be repaid on the 2016A and 2016B notes is \$1,217,661 and \$1,032,133. Debt service for the 2016A and 2016B notes was \$6,745 and \$8,368.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Long-term Debt (Continued)

B. Bonds and Notes Payable (Continued)

Bonds and notes/loans outstanding at September 30, 2016, consist of the following for business-type activities:

Purpose of Issue	Loan Amount	Amount Outstanding	Interest Rate
Business-type Activities			
Revenue Bonds: Water and Wastewater Revenue Bonds, Series 2005 (Matures 2045)	Refund the Outstanding FLGFC Pooled Commercial Paper Loan	\$ 7,507,130	\$ 7,045,130
			4.25%
Notes Payable:			
State Revolving Fund Loans	Wastewater System Improvements DP63904S DW140230 DP140240	2,900,528 1,795,546 2,392,356	2,042,306 580,096 784,769
			2.29% 1.69% 0.70%
Florida Department of Transportation (Matures 2042)	Financing of Highway 17 Widening	1,305,499	840,469
			2.29%
Installment Notes: Caterpillar Financial (Matures 2019)	Wheel Loader	143,612	95,671
			3.20%
Total Business-type Activities - Bonds and Notes Payable			\$ 11,388,441

The Water and Wastewater System Revenue Bonds, Series 2005 were issued by the County to the U.S. Department of Agriculture, Rural Utilities Service, and provide for level annual debt service over the life of the bonds. The bonds and the interest thereon are payable solely from and secured by a senior lien on, and pledge of, the net revenue of the water and wastewater systems, and are payable through 2045. The total principal and interest remaining to be repaid on the bonds is \$12,388,100. Debt service for 2016 was \$427,646. Pledged revenues of the water/wastewater system for 2016 were \$814,435.

The State Revolving Fund (SRF) Loans are through the Florida Department of Environmental Protection and provide for level semiannual debt service over the life of the loan. The loans are secured by a junior lien on, and pledge of, the gross revenues of the water/wastewater systems (including interest income), after payment of operation and maintenance expenses, and certain other future senior debt. The final maturity of SRF loan #DP63904S is in 2035. The total principal and interest remaining to be repaid on the loan is \$2,516,871. Debt service for 2016 was \$136,047. Pledged revenues of the water/wastewater system for 2016 were \$820,125.

The other two SRF loans are still being drawn down and the related projects are in process. The balances shown above represent the draws to date on the loans. A legislative appropriation of \$957,000 was awarded to the County to offset the principal balances. If the entire loan #DW140230 is utilized, loan repayments of \$39,055 will be due semi-annually for thirty years beginning March 15, 2017. If the entire loan #DP140240 is utilized, loan repayments of \$45,153 will be due semi-annually for thirty years beginning April 15, 2017.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Long-term Debt (Continued)

B. Bonds and Notes Payable (Concluded)

The Note Payable to Florida Department of Transportation (FDOT) relates to an agreement between the County and the FDOT (the Department) for the widening of U.S. Highway 17, Phase II. The Note is for a portion of the County's cost of relocating water and sewer pipeline located in the Department's rights-of-way. In May of 2016 the County signed a new promissory note that restated the balance and installments. The new amount for the Note is \$1,136,197. The Note is unsecured, and is payable in twenty-seven equal payments of \$42,081, beginning November 15, 2016, with no interest. Prior to the new promissory Note, the County made three installments totaling \$169,302, \$56,434 each, from fiscal year 2014 through 2016. During 2016, \$0 was drawn down on the Note for the project.

Debt Service Requirements

The following schedule shows debt service requirements to maturity for the County's revenue bonds and notes:

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 1,776,108	\$ 326,492	\$ 372,283	\$ 360,982
2018	1,761,699	322,378	424,411	354,090
2019	1,811,451	272,582	466,304	343,364
2020	1,862,069	221,195	423,710	332,610
2021	1,889,417	168,790	434,302	322,416
2022-2026	4,314,054	249,900	2,141,803	1,448,419
2027-2031	433,015	33,949	1,794,211	1,171,445
2032-2036	-	-	1,921,947	858,529
2037-2041	-	-	1,786,982	537,017
2042-2046	-	-	1,622,488	167,091
	<u>\$ 13,847,813</u>	<u>\$ 1,595,286</u>	<u>\$ 11,388,441</u>	<u>\$ 5,895,963</u>

C. Conduit Debt

The County has issued certain bonds to provide financing assistance to specific private sector entities, generally for the acquisition and construction of facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from the revenues of the private sector entity. The County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The industrial revenue bond for Tremron, Inc. was initially issued for their facility improvements in the amount of \$4,000,000. The remaining balance of \$66,667 was paid off in November 2015.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Long-term Debt (Concluded)

D. Other Long-term Obligations – Due to FDOT

In 2012, the County entered into an agreement with FDOT for financing Phase I of the U.S. Highway 17 utilities relocation project. Under the agreement, FDOT financed the County's share of the costs over five years. Total project costs were \$447,415. The outstanding balance of \$103,212 was paid off in 2016.

In 2015, the County entered into an agreement with FDOT for financing Phase III of the U.S. Highway 17 utilities relocation project. Total project costs at September 30, 2016, are \$93,127. If the entire loan of \$160,250 is utilized, loan repayments of \$32,050 will be due annually. Loan repayments began in 2016.

E. Landfill Closure and Post-closure Care Costs

The County has adopted a policy based on U.S. Environmental Protection Agency rules and in accordance with Florida law, to set aside funds for the closure and post-closure care costs of its current landfill. At September 30, 2016, the County had \$5,158,568 in restricted cash and investments in the landfill fund for these purposes. Of that amount, \$1,281,901 is required by Statute to be set aside for closure.

Accounting rules require the recording of a liability for the estimated future costs (in current dollars) for *all* landfill closure and post-closure care costs attributable to the portion of the landfill capacity filled to-date (state laws require post-closure monitoring of closed landfills for thirty years). The County's estimate of future costs was based on their consulting engineer's report and the County's estimated remaining landfill capacity. As of September 30, 2016, the County has recognized \$7,903,098, or approximately 90% of the remaining estimated closure and post-closure care totaling \$8,739,391. The following table summarizes the estimated remaining closure costs and post-closure costs, and costs incurred through September 30, 2016, by zone:

<u>Zone</u>	<u>Remaining Closure Costs</u>	<u>Remaining Post-closure Costs</u>	<u>Remaining Total Costs</u>	<u>Percent Filled</u>	<u>Costs Incurred To-Date</u>
1	\$ -	\$ 1,585,680	\$ 1,585,680	100%	\$ 1,585,680
2	-	1,339,020	1,339,020	100%	1,339,020
3	-	1,832,340	1,832,340	100%	1,832,340
4	1,410,091	2,572,260	3,982,351	79%	3,146,058
	<u>\$1,410,091</u>	<u>\$7,329,300</u>	<u>\$ 8,739,391</u>	<u>90%</u>	<u>\$ 7,903,098</u>

The accrued closure and post-closure care costs are \$7,903,098 at September 30, 2016, and have been accrued as a liability on the statement of net position of the landfill fund. Amortization expense for 2016 was \$425,719.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 7 - Restricted Net Position (Other Purposes)

Net position restricted for other purposes on the face of the statement of net position for governmental activities include the following:

Governmental Activities	Other Purposes
Court Related Services	\$ 237,691
Public Safety:	
Law Enforcement	389,703
Fire and EMS	32,097
E911 Services	453,634
Public Assistance Programs	5,899
Street Lighting	1,080
	\$ 1,120,104

Note 8 - Retirement System

A. General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the County are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The County's pension expense totaled \$3,403,189 for the fiscal year ended September 30, 2016, (all plans).

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Continued)

B. FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership applicable to the County are as follows:

- *Regular Class*—Members of the Plan who do not qualify for membership in the other classes.
- *Elected County Officer Class*—Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)*—Members in senior management level positions.
- *Special Risk Class*—Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, 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. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Continued)

B. FRS Pension Plan (Continued)

Benefits Provided. (Concluded)

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
<i>Regular Class Members Initially Enrolled Before July 1, 2011:</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011:</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the County's 2015-16 fiscal year were as follows:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Continued)

B. FRS Pension Plan (Continued)
Contributions. (Concluded)

<u>Class</u>	<u>Year Ended June 30, 2016</u>		<u>Year Ended June 30, 2017</u>	
	<u>Percent of Gross Salary</u>		<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
FRS, Regular	3.00	5.56	3.00	5.80
FRS, Elected County Officers	3.00	40.57	3.00	40.75
FRS, Senior Management Service	3.00	19.73	3.00	20.05
FRS, Special Risk Regular	3.00	20.34	3.00	20.85
DROP - Applicable to Members from All of the Above Classes	0.00	11.22	0.00	11.33
FRS, Reemployment Retiree	(1)	(1)	(1)	(1)

Notes: (1) Contribution rates are dependent upon retirement class in which reemployed. Employer contributions are also required for members in the FRS Investment Plan for a portion of the unfunded actuarial accrued liability.

The County's contributions (employer only) to the Plan totaled \$1,872,281 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2016, the County reported a liability of \$18,377,214 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The County's proportionate share of the net pension liability was based on the County's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the County's proportion was .072780821%, which was an increase of .004335022 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$2,851,081 related to the Plan. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to the FRS Plan from the following sources:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Continued)

B. FRS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 544,277	\$ -
Difference Between Expected and Actual		
Experience	1,407,101	171,104
Changes of Assumptions	1,111,766	-
Changes in Proportion and Difference Between		
County Contributions and Proportionate Share of		
Contributions	989,011	562,181
Net Difference between Projected and Actual Earnings		
on Pension Plan Investments	<u>4,750,286</u>	<u>-</u>
Total	<u>\$ 8,802,441</u>	<u>\$ 733,285</u>

The deferred outflows of resources related to pensions, totaling \$544,277, resulting from County contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2017	\$ 1,026,667
2018	1,026,667
2019	2,878,623
2020	2,063,543
2021	399,745
Thereafter	<u>129,634</u>
Total	<u>\$ 7,524,879</u>

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation, was determined using the individual entry age cost method and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	7.60% Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2016 valuation, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Continued)

B. FRS Pension Plan (Continued)

Actuarial Assumptions. (Concluded)

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
Total	<u>100%</u>			
Assumed Inflation – Mean		2.6%		1.9%

Discount Rate. The discount rate used to measure the total pension liability was 7.60%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate was 7.65% in the July 1, 2015 valuation.

Sensitivity of the County's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
County's Proportionate Share of the Net Pension Liability (Asset)	\$ 33,833,696	\$ 18,377,214	\$ 5,511,735

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Continued)

B. FRS Pension Plan (Concluded)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. The County reported a payable of \$260,728 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2016.

C. HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Plan fiscal years ended June 30, 2016 and 2015, the contribution rates were 1.66% of payroll, pursuant to Section 112.363, Florida Statutes. The County contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The County's contributions to the HIS Plan totaled \$233,588 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2016, the County reported a net pension liability of \$5,191,984 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, updated to July 1, 2016. The County's proportionate share of the net pension liability was based on the County's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Continued)

C. HIS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

At June 30, 2016, the County's proportionate share was 0.044548857%, which was a decrease of .001141014 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the County recognized pension expense of \$412,807 related to the HIS Plan. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 63,339	\$ -
Difference Between Expected and Actual Experience	-	11,825
Changes of Assumptions	814,754	-
Changes in Proportion and Difference Between County Contributions and Proportionate Share Contributions	52,232	157,642
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>2,625</u>	<u>-</u>
Total	<u>\$ 932,950</u>	<u>\$ 169,467</u>

The deferred outflows of resources related to pensions, totaling \$63,339, resulting from County contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2017	\$ 125,668
2018	125,668
2019	125,168
2020	124,928
2021	110,443
Thereafter	<u>88,269</u>
Total	<u>\$ 700,144</u>

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation, was determined using the individual entry age cost method and the following actuarial assumptions, applied to all periods included in the measurement:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Continued)

C. HIS Pension Plan (Concluded)
Actuarial Assumptions. (Concluded)

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	2.85% Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the July 1, 2016 valuation, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate was 3.80% in the prior valuation.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85%) or 1-percentage-point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
County's Proportionate Share of the Net Pension Liability	\$ 5,956,386	\$ 5,191,984	\$ 4,557,573

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. The County reported a payable of \$26,446 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2016.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Continued)

D. FRS – Defined Contribution Pension Plan

The County contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member’s account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member’s accounts (employer and employee) during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

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. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the County.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 8 - Retirement System (Concluded)

D. FRS – Defined Contribution Pension Plan (Concluded)

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The County's Investment Plan pension expense totaled \$139,301 for the fiscal year ended September 30, 2016.

Payables to the Pension Plan. The County reported a payable of \$20,713 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended September 30, 2016.

Note 9 - Other Postemployment Benefits Plan

A. Plan Description

Effective for the fiscal year ended September 30, 2009, the County implemented GASB Statement No. 45, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, for certain postemployment healthcare and life insurance benefits provided by the County. The requirements of this statement were implemented prospectively, and no liability was reported for the postemployment healthcare benefit liability at the date of transition.

The Other Postemployment Benefits Plan ("OPEB Plan") is a single-employer benefit plan administered by the County. The Board approved and established the OPEB Plan policy on February 10, 2009, amending employee retirement health benefits. The OPEB Plan does not issue a stand-alone report.

The policy divided the benefits into three classes:

1. For qualified retirees already covered under the group health insurance medical plan on December 31, 2008, the County will continue to contribute a monthly subsidy amount to provide medical coverage to the retiree, both individually and for his/her dependents, at the subsidized rate in effect for the retiree on December 31, 2008.
2. Elected officials who served at least eight years or two successive terms of office, and those employees who had served 16 years of continuous service by December 31, 2008, are eligible to receive a monthly subsidy amount from the County toward medical coverage for the retiree, but not for dependents, at the premium rate in effect on December 31, 2008.
3. Those elected officials and employees who had not satisfied the service requirement by December 31, 2008, are only eligible to receive the implicit subsidy discussed in the next paragraph.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 9 - Other Postemployment Benefits Plan (Continued)

A. Plan Description (Concluded)

The monthly benefit to be paid by any retiree, before subsidies, is based on blended premium rates charged by the insurance company for the type of coverage elected. Since older individuals typically would have higher premium costs, and the blended premium rates include younger active employees, the retiree is receiving an “implicit subsidy to the retiree, over and above any actual subsidy”. Both the actual and implicit subsidies represent liabilities to the County under governmental accounting principles.

B. Funding Policy

For the OPEB Plan, contribution requirements of the County are established and may be amended through action of the County Commission. Currently, the County’s OPEB benefits are unfunded and there is no OPEB trust fund or equivalent arrangement into which the County would make contributions to fund the obligation. Therefore, ultimate subsidies which are provided over time are financed directly by general assets of the County, which are invested in short-term investments in accordance with the investment policy and described previously. At October 1, 2014 (date of the latest actuarial valuation), there are 368 active participants and 49 retirees and their spouses. The interest rate used to calculate the present values and costs of OPEB must be the long-range expected return on those investments. The County selected an interest rate of 4% for this purpose.

C. Annual OPEB Cost and Net OPEB Obligation

The County’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Based on an interim actuarial valuation performed as of October 1, 2014, the following table shows the components of the County’s net OPEB obligation:

	2016
Normal Cost (Service Cost for One Year)	\$ 476,033
Amortization of Unfunded Actuarial Accrued Liability	700,162
Interest on Normal Cost and Amortization	46,986
Annual Required Contribution (ARC)	1,223,181
Interest on Net OPEB Obligation	224,332
Adjustment to ARC	(343,479)
Annual OPEB Cost (Expense)	1,104,034
Estimated Employer Contributions Made	(411,255)
Increase in Net OPEB Obligation	692,779
Net OPEB Obligation at Beginning of Year	5,608,305
Net OPEB Obligation at End of Year	\$ 6,301,084

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 9 - Other Postemployment Benefits Plan (Concluded)

C. Annual OPEB Cost and Net OPEB Obligation (Concluded)

Calculations are based upon the types of benefits provided under the terms of the OPEB Plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. The County's annual OPEB cost, the percentage of annual expected employer contribution toward OPEB cost, and the net OPEB obligation for 2016, 2015, and 2014, were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Estimated Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/2016	\$ 1,104,034	\$ 411,255	37.30%	\$ 6,301,084
09/30/2015	1,068,832	394,229	36.88%	5,608,305
09/30/2014	721,859	225,276	31.21%	4,933,702

D. Funded Status and Funding Progress

As of October 1, 2014, the actuarial accrued liability (AAL) for benefits was \$10,706,394. Assets of the OPEB Plan are valued at market; however, the current value is \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,706,394 or 0% funded ratio. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was \$13,549,378. The ratio of the UAAL to the covered payroll was 79.0%. The schedule of funding progress for the OPEB Plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan net position is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Amounts determined regarding the funded status of the OPEB Plan and the ARC are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

E. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. In any long-term actuarial valuation, certain assumptions are made regarding the population, the investment discount rates and the benefits provided. Examples of assumptions used in the October 1, 2014 valuation, include assumptions about future employment, inflation, termination, mortality, and the healthcare cost trend. The actuarial assumptions include a payroll/inflation growth rate of 0%, and a salary growth rate of 3%. Healthcare costs are assumed to increase each year; first by 7.25% in 2016, then decreasing annually by 0.75% to 5% in fiscal 2019, with an ultimate rate of 4.5% in 2020. The normal entry age actuarial cost method was used, with amortization of the UAAL as a level percent of expected payroll (closed over 30 years). The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 10 - Risk Management

The County is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of a non-profit risk sharing pool with membership limited to Florida governmental entities. The pool charges its members premiums based upon claim history. The pool provides coverage for most insurable risks including covering the County to the statutory limit for each workers' compensation claim, up to \$2,000,000 for each general liability claim, and at replacement cost for each property damage claim. As of September 30, 2016, settled claims have not exceeded the pool coverage in any of the past three years.

Note 11 - Fund Balance and Net Position Deficits

The following funds had deficit fund balances or net position as of September 30, 2016:

Fund Name	Deficit Amounts
Fire and EMS	\$ 8,701
Landfill Fund	1,105,572
Nonmajor Funds:	
Special Revenue Funds:	
Kings Crossing Lighting	2,382
Golden Melody Lighting	9,389
McClelland Improvement	91
Curbside Solid Waste Collection	48,750
DART	1,933
Debt Service	44,195

The deficit in the Fire/EMS, Landfill, and DART funds will be eliminated with future charges for services. The deficits in the special assessment funds will be eliminated with future special assessment receipts. The deficit in the Debt Service Fund and Curbside Solid Waste Collection Fund will be eliminated with future transfers from the General Fund.

Note 12 - Related Party - Peace River/Manasota Water Supply Authority

A. Water Supplier

The Peace River/Manasota Regional Water Supply Authority (the Authority) was established in 1991 when it purchased the Peace River Plant located in DeSoto County. The Authority has four voting members: DeSoto County, Charlotte County, Sarasota County, and Manatee County.

On October 5, 2005, the Authority renegotiated new water supply contracts and established the Peace River/Manasota Regional Water Supply Authority Master Water Supply Contract with all four counties – DeSoto, Charlotte, Sarasota, and Manatee, and with the City of North Port. The term of these contracts is 35 years, with an option to renew for an additional 35 years. A provision in each contract requires that customers of the Authority must identify and commit to water demands for a seven-year period.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 12 - Related Party - Peace River/Manasota Water Supply Authority (Concluded)

A. Water Supplier (Concluded)

The contracts require all customers to pay for all committed water through the Authority's annual budget process, which reflects the budgetary needs of the Authority every year. The contract does also have a provision for customers who exceed their allocation; a conservation rate will be charged to all customers exceeding their allocation, and a corresponding credit is given to the customers who do not use their full allocation. The conservation rate is adopted annually by a rate resolution. During 2016, the County's water purchases from the Authority were \$476,160 for base charges and \$181,463 for variable water use charges. The agreement also anticipates an expansion of the current water supply system to accommodate its customers' anticipated increased needs.

Additional amounts paid to the Authority in 2016 included an annual membership fee of \$44,443. Because the Authority's facility is located in the County, the County received \$7,000 in payments in lieu of property taxes in the General Fund.

B. Water Contractual Rights

In 2007, the County acquired the contractual rights to a maximum flow capacity of 3.1 million gallons per day from a newly-constructed potable water transmission pipeline owned by the Authority. The term of the contract extends for as long as the County continues to receive water from the Authority. The cost of the contractual rights was \$800,000, approximating the allocable cost of the pipeline, and is reported as a deferred outflow on the statement of net position of the Water/Sewer Utility Fund, to be amortized over twenty years, beginning in 2007. Amortization expense was \$40,000 for 2016, and the unamortized balance is \$360,000 at September 30, 2016.

Note 13 - Fire and EMS Services Merger

On May 15, 2006, the County entered into a 30-year Interlocal Agreement with the City of Arcadia (the City) for the merger of Fire and Emergency Medical Services. With an effective date of June 1, 2006, the City of Arcadia Fire Department merged with DeSoto County Fire Department to become one all-inclusive department within the County. All City of Arcadia Fire personnel (14 employees) were transferred and employed by the County. The City and County retirement programs were unchanged by the merger. The transferred employees had the option to remain members of the City retirement program or join the County retirement program.

The City transferred ownership of all fire suppression and emergency medical assets to the County, including a deed, with the associated debt, to real property located on Highway 17 for the construction of a Fire Suppression and EMS Station. The City agreed to allow the County to use the City's existing Fire Stations 1 and 2, for working stations without additional compensation for up to ten years from the effective date, or until the County determines that Fire Stations 1 and 2 are no longer needed. The County is responsible for all maintenance costs for the buildings while in use. To-date, the County has opted to use only Station 1.

Finally, under terms of the Interlocal Agreement, the City agreed to make monthly payments to the County for fire suppression and emergency medical services in accordance with the following schedule:

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 13 - Fire and EMS Services Merger (Concluded)

<u>Fiscal Year</u>	<u>Total</u>	
2017	\$ 420,000	(2)
2018	370,000	(2)
2019	320,000	(2)
2020	270,000	(2)
2021	220,000	(2)
2022-2025	380,000	(1) (2)

(1) Each year is reduced by \$50,000.

(2) If the City implements a municipal services benefit unit (MSBU) for fire suppression and/or a municipal services taxing unit (MSTU) for emergency medical services (EMS) equivalent to the County's fees, then the City may use the amount collected less any property assessor/tax collector's fees to reduce the payment due each year.

During 2007, the City initiated a special assessment for fire services within the City limits and added the City to the County-wide MSTU millage for EMS services. Accordingly, a credit of \$229,966 was given off the required 2016 payment of \$470,000. Actual intergovernmental revenue under this agreement for 2016 was \$240,034.

Note 14 - Other Commitments and Contingencies

A. Litigation

The County is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the County.

The DeSoto County Sheriff's claims are covered by the Florida Sheriff's Risk Management Fund (FSRMF). The FSRMF believes that the potential liability under these claims is more than adequately covered by the Risk Management Fund.

B. Grants

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the County. In the opinion of management, except for potential adjustments from matters in the preceding paragraph, any such adjustments would not be significant.

C. Leases

The County is the lessee of heavy construction equipment used at the landfill, and other office equipment. Lease payments are generally due for 60 months. Lease provisions require that the County return the heavy equipment at the earlier of the 60-month period or when the equipment has reached the allotted maximum usage (in hours), or purchase the equipment at that time, for a specified amount.

DESOTO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Concluded)

Note 14 - Other Commitments and Contingencies (Concluded)

C. Leases (Concluded)

The leases meet the criteria for classification as operating leases for financial reporting. Equipment lease expense was \$97,557 for 2016. Remaining minimum operating lease payments are as follows:

Year Ending September 30,	Minimum Lease Total
2017	\$ 41,939
2018	267,541
2019	23,399
2020	19,499
Total	\$ 352,378

D. Hurricane Charley

In 2004, Hurricane Charley passed over the County as a category 2 hurricane. The County spent the subsequent years rebuilding, with assistance from the Federal Emergency Management Agency (FEMA) and insurance reimbursements. The County is currently in deliberations with FEMA regarding a possible reimbursement for outstanding disputed charges, but an estimate of that amount remains to be determined. In April 2012, the Florida Department of Emergency Management issued an invoice to the County for overpaid reimbursement claims of \$1,154,825; however, that invoice is currently being disputed as part of the deliberations with FEMA. No receivable or payable is recorded at this time as deliberations are ongoing.

Note 15 - Adjustments to Beginning Net Position

During the 2016 budget process, the Board determined that the Building Fund no longer meets the definition of a proprietary fund. Therefore, the Building Fund is being reported as a non-major special revenue fund as of October 1, 2015. This reclassification required a restatement of beginning fund balance in related funds.

See below for the effects of this reclassification on the entity-wide level:

	Governmental Activities	Total Business-type Activities	Total
Beginning Net Position - As Originally Reported	\$ 17,661,150	\$ 21,668,890	\$39,330,040
Building Fund	174,711	(174,711)	-
Beginning Net Position - As Restated	<u>\$ 17,835,861</u>	<u>\$ 21,494,179</u>	<u>\$39,330,040</u>

See below for the effects of this reclassification on the fund level:

Beginning Fund Balance - As Originally Reported		\$	174,711
Fund Level Adjustments			
Capital Assets	\$		(119,060)
Other Post Employment Benefits			90,903
Compensated Absences			26,686
Net Pension Liability			92,108
Deferred Outflows - Pension			(17,308)
Deferred Inflows - Pension			16,643
Total Fund Level Adjustments			89,972
Beginning Fund Balance - As Restated		<u>\$</u>	<u>264,683</u>

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BOARD ONLY
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes	\$ 16,158,129	\$ 16,429,774	\$ 16,211,508	\$ (218,266)
Permits and Fees	1,186,545	1,186,545	1,242,181	55,636
Intergovernmental Revenues	5,300,606	5,477,641	5,306,309	(171,332)
Charges for Services	704,770	729,535	728,893	(642)
Fines and Forfeitures	40,100	40,100	47,302	7,202
Miscellaneous Revenues	111,775	158,478	286,841	128,363
(Less: 5% Reduction)	(463,353)	(471,989)	-	471,989
Total Revenues	<u>23,038,572</u>	<u>23,550,084</u>	<u>23,823,034</u>	<u>272,950</u>
Expenditures				
Current:				
General Government	6,220,675	5,361,668	5,254,975	106,693
Public Safety	496,737	517,525	489,400	28,125
Physical Environment	133,131	381,697	348,409	33,288
Economic Environment	83,828	83,843	67,219	16,624
Human Services	1,234,941	1,872,633	1,423,427	449,206
Culture/Recreation	1,175,279	1,268,244	1,082,372	185,872
Debt Service:				
Principal Retirement	12,584	12,606	12,583	23
Interest and Fiscal Charges	14,147	13,301	13,301	0
Reserves	2,847,969	3,253,557	-	3,253,557
(Total Expenditures)	<u>(12,219,291)</u>	<u>(12,765,074)</u>	<u>(8,691,686)</u>	<u>4,073,388</u>
Excess of Revenues Over Expenditures	<u>10,819,281</u>	<u>10,785,010</u>	<u>15,131,348</u>	<u>4,346,338</u>
Other Financing Sources (Uses)				
Transfers in	727,321	759,361	858,234	98,873
Transfers (out)	(13,945,431)	(14,292,655)	(14,292,793)	(138)
Insurance Proceeds	-	13,526	16,949	3,423
Total Other Financing Sources (Uses)	<u>(13,218,110)</u>	<u>(13,519,768)</u>	<u>(13,417,610)</u>	<u>102,158</u>
Net Change in Fund Balances	(2,398,829)	(2,734,758)	1,713,738	4,448,496
Fund Balances, Beginning of Year	<u>2,398,829</u>	<u>2,734,758</u>	<u>2,755,228</u>	<u>20,470</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,468,966</u>	<u>\$ 4,468,966</u>

**DESOTO COUNTY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
COUNTY TRANSPORTATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,219,812	\$ 2,357,023	\$ 2,426,953	\$ 69,930
Permits and Fees	10,700	10,700	10,828	128
Intergovernmental Revenues	3,188,055	3,186,185	1,315,428	(1,870,757)
Charges for Services	85,600	89,870	81,758	(8,112)
Miscellaneous Revenues	12,500	12,500	19,483	6,983
Total Revenues	<u>4,516,667</u>	<u>5,656,278</u>	<u>3,854,450</u>	<u>(1,801,828)</u>
Expenditures				
Current:				
Transportation	4,893,773	6,146,529	4,045,134	2,101,395
Debt Service:				
Principal Retirement	26,701	26,701	26,701	-
Interest and Fiscal Charges	3,663	3,663	3,663	-
(Total Expenditures)	<u>(4,924,137)</u>	<u>(6,176,893)</u>	<u>(4,075,498)</u>	<u>2,101,395</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(407,470)</u>	<u>(520,615)</u>	<u>(221,048)</u>	<u>299,567</u>
Other Financing Sources (Uses)				
Transfers in	1,981,210	2,064,337	2,064,337	-
Transfers (out)	(1,571,503)	(1,659,580)	(1,659,580)	-
Insurance Proceeds	-	12,222	12,398	176
Total Other Financing Sources (Uses)	<u>409,707</u>	<u>416,979</u>	<u>417,155</u>	<u>176</u>
Net Change in Fund Balances	2,237	(103,636)	196,107	299,743
Fund Balances (Deficits), Beginning of Year	<u>(2,237)</u>	<u>103,636</u>	<u>103,636</u>	<u>-</u>
Fund Balances (Deficits), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,743</u>	<u>\$ 299,743</u>

DESOTO COUNTY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
FIRE AND EMS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,123,111	\$ 27,840	\$ 27,840	\$ -
Special Assessments	1,535,276	2,657,332	2,586,860	(70,472)
Permits and Fees	32,000	32,000	20,195	(11,805)
Intergovernmental Revenues	970,334	970,334	405,839	(564,495)
Charges for Services	1,155,744	1,140,000	986,611	(153,389)
Miscellaneous Revenues	3,525	3,525	17,232	13,707
Total Revenues	<u>4,819,990</u>	<u>4,831,031</u>	<u>4,044,577</u>	<u>(786,454)</u>
Expenditures				
Current:				
General Government	111,830	119,987	118,863	1,124
Public Safety	5,222,900	5,225,677	4,457,394	768,283
Debt Service:				
Principal Retirement	15,157	24,529	24,529	-
Interest and Fiscal Charges	146	426	426	-
Reserve	26,113	-	-	-
(Total Expenditures)	<u>(5,376,146)</u>	<u>(5,370,619)</u>	<u>(4,601,212)</u>	<u>769,407</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(556,156)</u>	<u>(539,588)</u>	<u>(556,635)</u>	<u>(17,047)</u>
Other Financing Sources (Uses)				
Transfers in	692,994	783,917	794,992	11,075
Transfers (out)	(132,472)	(200,338)	(200,338)	-
Insurance Proceeds	-	-	2,449	2,449
Total Other Financing Sources (Uses)	<u>560,522</u>	<u>583,579</u>	<u>597,103</u>	<u>13,524</u>
Net Change in Fund Balance	4,366	43,991	40,468	(3,523)
Fund Balances (Deficits), Beginning of Year	<u>(4,366)</u>	<u>(43,991)</u>	<u>(49,169)</u>	<u>(5,178)</u>
Fund Balances (Deficits), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,701)</u>	<u>\$ (8,701)</u>

**DESOTO COUNTY, FLORIDA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll [(b-a)/c]
10/1/2014	\$ -	\$ 10,706,394	\$ 10,706,394	\$ -	\$ 13,549,378	79.0%
10/1/2012	-	8,837,601	8,837,601	-	12,697,899	69.6%
10/1/2011	-	7,594,466	7,594,466	-	12,391,492	61.3%

**SCHEDULE OF ESTIMATED EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Year Ended September 30,	Annual Required Contribution	Estimated County Contribution	Percentage Contributed	Net OPEB Obligation
2016	\$ 1,223,181	\$ 411,255	33.6%	\$ 6,301,084
2015	1,170,105	394,229	33.7%	5,608,305
2014	802,307	225,276	28.1%	4,933,702

DESOTO COUNTY, FLORIDA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
LAST 10 FISCAL YEARS

FLORIDA RETIREMENT SYSTEM PENSION PLAN

Year Ended June 30,	County's Proportion of the FRS Net Pension Plan	County's Proportion Share of the FRS Net Pension Plan Liability	County's Covered- Employee Payroll (FYE September 30)	County's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered- Employee Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.065823097%	\$ 4,016,178	\$ 12,370,252	32.47%	96.09%
2015	0.068445798%	8,840,692	14,972,545	59.05%	92.00%
2016	0.072780821%	18,377,214	13,755,482	133.60%	84.88%

HEALTH INSURANCE SUBSIDY PENSION PLAN

Year Ended June 30,	County's Proportion of the HIS Net Pension Plan	County's Proportion Share of the HIS Net Pension Liability	County's Covered- Employee Payroll (FYE September 30)	County's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered- Employee Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.045499267%	\$ 4,254,293	\$ 12,370,252	34.39%	0.99%
2015	0.045689870%	4,659,647	14,972,545	31.12%	0.50%
2016	0.044548858%	5,191,985	13,755,482	37.74%	0.97%

Note: Additional information will be provided annually until ten years' data is presented.

DESOTO COUNTY, FLORIDA
SCHEDULE OF COUNTY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLAN
LAST 10 FISCAL YEARS

FLORIDA RETIREMENT SYSTEM PENSION PLAN

Year Ended September 30,	Contractually Required Contribution	FRS Contribution in Relation to the Contractually Required Contributions	FRS Contribution Deficiency (Excess)	County's Covered- Employee Payroll (FYE September 30)	FRS Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 1,668,767	\$ (1,668,767)	\$ -	\$ 12,370,252	13.49%
2015	1,698,148	(1,698,148)	-	14,972,545	11.34%
2016	1,872,281	(1,872,281)	-	13,755,482	13.61%

HEALTH INSURANCE SUBSIDY PENSION PLAN

Year Ended September 30,	Contractually Required Contribution	HIS Contribution in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	County's Covered- Employee Payroll (FYE September 30)	HIS Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 137,075	\$ (137,075)	\$ -	\$ 12,370,252	1.11%
2015	188,729	(188,729)	-	14,972,545	1.26%
2016	233,588	(233,588)	-	13,755,482	1.70%

Note: Additional information will be provided annually until ten years' data is presented.

DESOTO COUNTY, FLORIDA
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2016

NOTE I – CHANGES IN BENEFITS AND ASSUMPTIONS – FLORIDA RETIREMENT SYSTEM (FRS) AND HEALTH INSURANCE SUBSIDY (HIS) PENSION PLANS - 2016

Changes in benefit terms from the year ended June 30, 2015 to June 30, 2016:

- **FRS:** No significant changes.
- **HIS:** No significant changes.

Changes in assumptions from the year ended June 30, 2015 to June 30, 2016:

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

NOTE II – CHANGES IN BENEFITS AND ASSUMPTIONS – FLORIDA RETIREMENT SYSTEM (FRS) AND HEALTH INSURANCE SUBSIDY (HIS) PENSION PLANS - 2015

Changes in benefit terms from the year ended June 30, 2014 to June 30, 2015:

- **FRS:** No significant changes.
- **HIS:** No significant changes.

Changes in assumptions from the year ended June 30, 2014 to June 30, 2015:

- **FRS:** No significant changes. The inflation rate assumptions remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%
- **HIS:** The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

OTHER SUPPLEMENTARY INFORMATION

**DESOTO COUNTY, FLORIDA
COMBINING BALANCE SHEET
GENERAL FUND BY CATEGORY
SEPTEMBER 30, 2016**

	Board of County Commissioners	Clerk of the Courts	Property Appraiser
Assets			
Cash and Cash Equivalents	\$ 2,071,125	\$ 68,051	\$ 147,520
Restricted Cash and Cash Equivalents	604,282	-	-
Accounts Receivable, Net	403,226	1,371	-
Due from Other Funds	1,288,293	-	-
Due from Other Governments	1,048,331	13,152	-
Inventories	11,131	-	-
Prepays	11,578	-	-
Deposits	65,000	-	-
Advances to Other Funds	395,897	-	-
Total Assets	5,898,863	82,574	147,520
Liabilities			
Bank Overdraft	-	-	-
Vouchers Payable	607,773	436	4,200
Accrued Liabilities	163,681	69	-
Due to Other Funds	-	19,137	140,416
Due to Other Governments	-	58,646	2,904
Deposits	613,300	-	-
Advances from other funds	-	-	-
Unearned Revenue	13,939	-	-
Total Liabilities	1,398,693	78,288	147,520
Deferred Inflows			
Unavailable Revenues	31,204	4,286	-
Fund Balances			
Nonspendable:			
Prepays and Inventories	22,709	-	-
Advances	395,897	-	-
Assigned for Budget Carryforward	511,105	-	-
Unassigned	3,539,255	-	-
Total Fund Balances (Deficits)	4,468,966	-	-
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,898,863	\$ 82,574	\$ 147,520

Sheriff	Supervisor of Elections	Tax Collector	Eliminating Entries	Total General Fund
\$ 632,875	\$ 8,147	\$ 182,911	\$ -	\$ 3,110,629
-	-	-	-	604,282
-	10,315	-	-	414,912
-	-	-	(499,292)	789,001
11,066	-	18,630	-	1,091,179
-	-	-	-	11,131
-	5,036	-	-	16,614
-	-	-	-	65,000
-	-	-	(40,203)	355,694
<u>643,941</u>	<u>23,498</u>	<u>201,541</u>	<u>(539,495)</u>	<u>6,458,442</u>
-	2,064	-	-	2,064
342,450	11,512	-	-	966,371
90,062	-	-	-	253,812
211,429	-	173,499	(499,292)	45,189
-	-	7,599	-	69,149
-	-	-	-	613,300
-	40,203	-	(40,203)	-
-	3,164	-	-	17,103
<u>643,941</u>	<u>56,943</u>	<u>181,098</u>	<u>(539,495)</u>	<u>1,966,988</u>
-	-	20,443	-	55,933
-	5,036	-	-	27,745
-	-	-	(40,203)	355,694
-	-	-	-	511,105
-	(38,481)	-	40,203	3,540,977
-	(33,445)	-	-	4,435,521
<u>\$ 643,941</u>	<u>\$ 23,498</u>	<u>\$ 201,541</u>	<u>\$ (539,495)</u>	<u>\$ 6,458,442</u>

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Board of County Commissioners	Clerk of the Courts	Property Appraiser
Revenues			
Taxes	\$ 16,211,508	\$ -	\$ -
Permits and Fees	1,242,181	-	-
Intergovernmental Revenues	5,306,309	84,205	-
Charges for Services	728,893	776,844	961,362
Fines and Forfeitures	47,302	-	-
Miscellaneous Revenues	286,841	486	2,334
Total Revenues	23,823,034	861,535	963,696
Expenditures			
Current:			
General Government	5,254,975	198,150	820,376
Public Safety	489,400	-	-
Physical Environment	348,409	-	-
Economic Environment	67,219	-	-
Human Services	1,423,427	-	-
Culture/Recreation	1,082,372	-	-
Court-related	-	659,248	-
Debt Service:			
Principal Retirement	12,583	-	-
Interest and Fiscal Charges	13,301	-	-
(Total Expenditures)	(8,691,686)	(857,398)	(820,376)
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,131,348	4,137	143,320
Other Financing Sources (Uses)			
Transfers in	858,234	15,000	-
Transfers (out)	(14,292,793)	(19,137)	(140,416)
Distributions of Excess Commissions	-	-	(2,904)
Insurance Proceeds	16,949	-	-
Total Other Financing Sources (Uses)	(13,417,610)	(4,137)	(143,320)
Net Change in Fund Balances	1,713,738	-	-
Fund Balances, Beginning of Year	2,755,228	-	-
Fund Balances, End of Year	\$ 4,468,966	\$ -	\$ -

Sheriff	Supervisor of Elections	Tax Collector	Eliminating Entries	Total General Fund
\$ -	\$ -	\$ -	\$ -	\$ 16,211,508
-	-	-	-	1,242,181
122,562	-	-	-	5,513,076
28,500	10,844	989,348	-	3,495,791
-	-	-	-	47,302
21,633	32	1,476	-	312,802
<u>172,695</u>	<u>10,876</u>	<u>990,824</u>	<u>-</u>	<u>26,822,660</u>
-	387,490	809,727	-	7,470,718
9,550,604	-	-	-	10,040,004
-	-	-	-	348,409
-	-	-	-	67,219
-	-	-	-	1,423,427
-	-	-	-	1,082,372
382,740	-	-	-	1,041,988
-	-	-	-	12,583
-	-	-	-	13,301
<u>(9,933,344)</u>	<u>(387,490)</u>	<u>(809,727)</u>	<u>-</u>	<u>(21,500,021)</u>
<u>(9,760,649)</u>	<u>(376,614)</u>	<u>181,097</u>	<u>-</u>	<u>5,322,639</u>
9,972,078	343,169	-	(10,829,539)	358,942
(211,429)	-	(173,499)	10,829,539	(4,007,735)
-	-	(7,598)	-	(10,502)
-	-	-	-	16,949
<u>9,760,649</u>	<u>343,169</u>	<u>(181,097)</u>	<u>-</u>	<u>(3,642,346)</u>
-	(33,445)	-	-	1,680,293
-	-	-	-	2,755,228
<u>\$ -</u>	<u>\$ (33,445)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,435,521</u>

**DESOTO COUNTY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue		
	LIHEAP	Kings Crossing Lighting	Peace River Lighting
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ 245
Restricted Cash and Cash Equivalents	-	-	-
Accounts Receivable	-	-	-
Special Assessments Receivable	-	-	22
Notes Receivable	-	-	-
Due from Other Funds	-	205	14
Due from Other Governments	13,586	-	-
Prepays	-	-	-
Advances to Other Funds	-	-	-
Total Assets	13,586	205	281
Liabilities			
Vouchers Payable	5,742	-	-
Accrued Liabilities	-	-	-
Due to Other Funds	1,945	2,587	-
Advances from Other Funds	-	-	-
Total Liabilities	7,687	2,587	-
Deferred Inflows			
Unavailable Revenues	-	-	-
Fund Balances (Deficits)			
Nonspendable:			
Prepays	-	-	-
Advance to Other Funds	-	-	-
Restricted for:			
Economic Development	-	-	-
Public Assistance Programs	5,899	-	-
Streetlighting	-	-	281
Public Safety	-	-	-
Court-related Services	-	-	-
Building Code Enforcements	-	-	-
Assigned for:			
Construction Projects	-	-	-
Turner Center	-	-	-
Mosquito Control	-	-	-
Unassigned (Deficit)	-	(2,382)	-
Total Fund Balances (Deficits)	5,899	(2,382)	281
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	\$ 13,586	\$ 205	\$ 281

Special Revenue					
Golden Melody Lighting	Harlem Heights Lighting	Lake Suzy Lighting	Spring Lakes Lighting	McClelland Improvement	E-911 Services
\$ -	\$ 131	\$ 213	\$ 285	\$ -	\$ 425,505
-	-	-	-	-	-
-	-	-	-	-	26
703	52	-	-	2,391	-
-	-	-	-	-	-
46	21	68	29	61	-
-	-	-	-	-	22,719
-	-	-	-	-	5,414
-	-	-	-	-	-
<u>749</u>	<u>204</u>	<u>281</u>	<u>314</u>	<u>2,452</u>	<u>453,664</u>
-	-	-	-	-	30
-	-	-	-	-	-
10,138	-	-	-	152	-
-	-	-	-	-	-
<u>10,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152</u>	<u>30</u>
-	-	-	-	2,391	-
-	-	-	-	-	5,414
-	-	-	-	-	-
-	-	-	-	-	-
-	204	281	314	-	-
-	-	-	-	-	448,220
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(9,389)	-	-	-	(91)	-
<u>(9,389)</u>	<u>204</u>	<u>281</u>	<u>314</u>	<u>(91)</u>	<u>453,634</u>
<u>\$ 749</u>	<u>\$ 204</u>	<u>\$ 281</u>	<u>\$ 314</u>	<u>\$ 2,452</u>	<u>\$ 453,664</u>

DESOTO COUNTY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
(Continued)

	Special Revenue			
	Tourist Development Tax	CDBG Housing Rehab	Mosquito Control	Curbside Solid Waste Collection
Assets				
Cash and Cash Equivalents	\$ 103,849	\$ -	\$ 29,036	\$ -
Restricted Cash and Cash Equivalents	-	-	-	-
Accounts Receivable	-	-	-	-
Special Assessments Receivable	-	-	-	7,326
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	13,098
Due from Other Governments	9,951	248,967	10,000	-
Prepays	-	-	-	-
Advances to Other Funds	-	-	-	-
Total Assets	<u>113,800</u>	<u>248,967</u>	<u>39,036</u>	<u>20,424</u>
Liabilities				
Vouchers Payable	172	-	8,948	8,926
Accrued Liabilities	184	-	-	-
Due to Other Funds	91	248,967	-	60,248
Advances from Other Funds	-	-	-	-
Total Liabilities	<u>447</u>	<u>248,967</u>	<u>8,948</u>	<u>69,174</u>
Deferred Inflows				
Unavailable Revenues	-	-	-	-
Fund Balances (Deficits)				
Nonspendable:				
Prepays	-	-	-	-
Advance to Other Funds	-	-	-	-
Restricted for:				
Economic Development	113,353	-	-	-
Public Assistance Programs	-	-	-	-
Streetlighting	-	-	-	-
Public Safety	-	-	-	-
Court-related Services	-	-	-	-
Building Code Enforcements	-	-	-	-
Assigned for:				
Construction Projects	-	-	-	-
Turner Center	-	-	-	-
Mosquito Control	-	-	30,088	-
Unassigned (Deficits)	-	-	-	(48,750)
Total Fund Balances (Deficits)	<u>113,353</u>	<u>-</u>	<u>30,088</u>	<u>(48,750)</u>
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	<u>\$ 113,800</u>	<u>\$ 248,967</u>	<u>\$ 39,036</u>	<u>\$ 20,424</u>

Special Revenue					
Building Fund	Dart Trust	SHIP	Court Fees Fund	Law Enforcement Trust	Sheriff Communication
\$ 335,254	\$ -	\$ 249,424	\$ -	\$ 264,385	\$ 130,095
-	-	-	53,123	-	-
-	-	-	6	-	882
-	-	-	-	-	-
-	-	1,549,366	-	-	-
-	-	-	-	-	-
-	14,280	-	18,272	1,705	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>335,254</u>	<u>14,280</u>	<u>1,798,790</u>	<u>71,401</u>	<u>266,090</u>	<u>130,977</u>
9,227	544	21,871	12,172	-	24,211
4,951	1,341	-	601	-	8,527
2,215	14,328	-	296	-	98,239
-	-	-	-	-	-
<u>16,393</u>	<u>16,213</u>	<u>21,871</u>	<u>13,069</u>	<u>-</u>	<u>130,977</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,776,919	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	266,090	-
-	-	-	58,332	-	-
318,861	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(1,933)	-	-	-	-
<u>318,861</u>	<u>(1,933)</u>	<u>1,776,919</u>	<u>58,332</u>	<u>266,090</u>	<u>-</u>
<u>\$ 335,254</u>	<u>\$ 14,280</u>	<u>\$ 1,798,790</u>	<u>\$ 71,401</u>	<u>\$ 266,090</u>	<u>\$ 130,977</u>

DESOTO COUNTY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016
(Concluded)

	Special Revenue			
	Sheriff Inmate Welfare	Sheriff Voluntary Extra Duty	Sheriff Education	Clerk of Court Records Modernization
Assets				
Cash and Cash Equivalents	\$ 145,191	\$ 4,414	\$ 17,607	\$ 179,359
Restricted Cash and Cash Equivalents	-	-	-	-
Accounts Receivable	8,574	1,010	166	-
Special Assessments Receivable	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
Prepays	-	-	-	-
Advances to Other Funds	-	-	-	-
Total Assets	<u>153,765</u>	<u>5,424</u>	<u>17,773</u>	<u>179,359</u>
Liabilities				
Vouchers Payable	47,741	-	-	-
Accrued Liabilities	-	523	-	-
Due to Other Funds	-	-	-	-
Advances from Other Funds	-	-	-	-
Total Liabilities	<u>47,741</u>	<u>523</u>	<u>-</u>	<u>-</u>
Deferred Inflows				
Unavailable Revenues	4,980	105	-	-
Fund Balances (Deficits)				
Nonspendable:				
Prepays	-	-	-	-
Advance to Other Funds	-	-	-	-
Restricted for:				
Economic Development	-	-	-	-
Public Assistance Programs	-	-	-	-
Streetlighting	-	-	-	-
Public Safety	101,044	4,796	17,773	-
Court-related Services	-	-	-	179,359
Building Code Enforcements	-	-	-	-
Assigned for:				
Construction Projects	-	-	-	-
Turner Center	-	-	-	-
Mosquito Control	-	-	-	-
Unassigned (Deficit)	-	-	-	-
Total Fund Balances (Deficits)	<u>101,044</u>	<u>4,796</u>	<u>17,773</u>	<u>179,359</u>
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	<u>\$ 153,765</u>	<u>\$ 5,424</u>	<u>\$ 17,773</u>	<u>\$ 179,359</u>

Debt Service Debt Service Fund	Capital Projects		Total Nonmajor Governmental Funds
	Construction	Turner Reconstruction	
\$ -	\$ 32,169	\$ 2,293	\$ 1,919,455
-	-	-	53,123
-	-	-	10,664
-	-	-	10,494
-	-	-	1,549,366
-	-	-	13,542
-	-	-	339,480
-	-	-	5,414
311,499	-	-	311,499
<u>311,499</u>	<u>32,169</u>	<u>2,293</u>	<u>4,213,037</u>
-	1,738	-	141,322
-	-	-	16,127
-	-	-	439,206
355,694	-	-	355,694
<u>355,694</u>	<u>1,738</u>	<u>-</u>	<u>952,349</u>
-	-	-	7,476
-	-	-	5,414
311,499	-	-	311,499
-	-	-	1,890,272
-	-	-	5,899
-	-	-	1,080
-	-	-	837,923
-	-	-	237,691
-	-	-	318,861
-	30,431	-	30,431
-	-	2,293	2,293
-	-	-	30,088
(355,694)	-	-	(418,239)
<u>(44,195)</u>	<u>30,431</u>	<u>2,293</u>	<u>3,253,212</u>
<u>\$ 311,499</u>	<u>\$ 32,169</u>	<u>\$ 2,293</u>	<u>\$ 4,213,037</u>

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue		
	LIHEAP	Kings Crossing Lighting	Peace River Lighting
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Special Assessments	-	25,465	1,800
Intergovernmental Revenues	181,632	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Miscellaneous Revenues	1,368	23	62
Total Revenues	183,000	25,488	1,862
Expenditures			
Current:			
General Government	-	764	54
Public Safety	-	-	-
Physical Environment	-	23,230	1,845
Transportation	-	-	-
Economic Environment	-	-	-
Human Services	152,871	-	-
Court-related	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Other Debt Service Costs	-	-	-
(Total Expenditures)	(152,871)	(23,994)	(1,899)
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,129	1,494	(37)
Other Financing Sources (Uses)			
Transfers in	-	205	14
Transfers (out)	(30,187)	-	-
Loan Proceeds	-	-	-
Total Other Financing Sources (Uses)	(30,187)	205	14
Net Change in Fund Balances	(58)	1,699	(23)
Fund Balances (Deficits), Beginning of Year As Restated	5,957	(4,081)	304
Fund Balances (Deficits) End of Year	\$ 5,899	\$ (2,382)	\$ 281

Special Revenue					
Golden Melody Lighting	Harlem Heights Lighting	Lake Suzy Lighting	Spring Lakes Lighting	McClelland Improvement	E-911 Services
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
6,591	2,924	8,407	3,747	7,592	-
-	-	-	-	-	84,000
-	-	-	-	-	66,227
-	-	-	-	-	-
-	-	12	6	9	1,264
<u>6,591</u>	<u>2,924</u>	<u>8,419</u>	<u>3,753</u>	<u>7,601</u>	<u>151,491</u>
173	77	253	108	227	-
-	-	-	-	-	80,099
6,901	2,603	8,690	4,041	-	-
-	-	-	-	634	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(7,074)</u>	<u>(2,680)</u>	<u>(8,943)</u>	<u>(4,149)</u>	<u>(861)</u>	<u>(80,099)</u>
<u>(483)</u>	<u>244</u>	<u>(524)</u>	<u>(396)</u>	<u>6,740</u>	<u>71,392</u>
46	21	68	29	61	-
-	-	-	-	(6,719)	-
-	-	-	-	-	-
<u>46</u>	<u>21</u>	<u>68</u>	<u>29</u>	<u>(6,658)</u>	<u>-</u>
(437)	265	(456)	(367)	82	71,392
<u>(8,952)</u>	<u>(61)</u>	<u>737</u>	<u>681</u>	<u>(173)</u>	<u>382,242</u>
<u>\$ (9,389)</u>	<u>\$ 204</u>	<u>\$ 281</u>	<u>\$ 314</u>	<u>\$ (91)</u>	<u>\$ 453,634</u>

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Continued)

	Special Revenue			
	Tourist Development Tax	CDBG Housing Rehab	Mosquito Control	Curbside Solid Waste Collection
Revenues				
Taxes	\$ 83,337	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Special Assessments	-	-	-	-
Intergovernmental Revenues	-	329,253	43,012	-
Charges for Services	-	-	-	1,659,363
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	281	-	-	1,287
Total Revenues	<u>83,618</u>	<u>329,253</u>	<u>43,012</u>	<u>1,660,650</u>
Expenditures				
Current:				
General Government	-	-	-	48,830
Public Safety	-	-	-	-
Physical Environment	-	-	-	1,729,711
Transportation	-	-	-	-
Economic Environment	41,205	293,884	-	-
Human Services	-	-	44,418	-
Court-related	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Other Debt Service Costs	-	-	-	-
(Total Expenditures)	<u>(41,205)</u>	<u>(293,884)</u>	<u>(44,418)</u>	<u>(1,778,541)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>42,413</u>	<u>35,369</u>	<u>(1,406)</u>	<u>(117,891)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	7,885	101,490
Transfers (out)	-	(34,834)	-	-
Loan Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(34,834)</u>	<u>7,885</u>	<u>101,490</u>
Net Change in Fund Balances	42,413	535	6,479	(16,401)
Fund Balances (Deficits), Beginning of Year As Restated	<u>70,940</u>	<u>(535)</u>	<u>23,609</u>	<u>(32,349)</u>
Fund Balances (Deficits), End of Year	<u>\$ 113,353</u>	<u>\$ -</u>	<u>\$ 30,088</u>	<u>\$ (48,750)</u>

Special Revenue

Building Fund	Dart Trust	SHIP	Court Fees	Law Enforcement Trust	Sheriff Communication
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
363,035	-	-	-	-	-
-	-	-	-	-	-
-	80,302	350,000	-	5,724	10,587
1,729	11,447	-	165,523	-	-
-	-	-	60,339	36,038	-
26,711	-	136,260	7	802	-
<u>391,475</u>	<u>91,749</u>	<u>486,260</u>	<u>225,869</u>	<u>42,564</u>	<u>10,587</u>
-	-	-	-	-	-
340,375	-	-	-	-	797,986
-	-	-	-	-	-
-	78,346	-	-	-	-
-	-	396,014	-	-	-
-	-	-	126,526	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(340,375)</u>	<u>(78,346)</u>	<u>(396,014)</u>	<u>(126,526)</u>	<u>-</u>	<u>(797,986)</u>
51,100	13,403	90,246	99,343	42,564	(787,399)
10,242	138	-	-	-	885,638
(7,164)	(15,474)	(19,457)	(146,956)	(7,320)	(98,239)
-	-	-	-	-	-
<u>3,078</u>	<u>(15,336)</u>	<u>(19,457)</u>	<u>(146,956)</u>	<u>(7,320)</u>	<u>787,399</u>
54,178	(1,933)	70,789	(47,613)	35,244	-
264,683	-	1,706,130	105,945	230,846	-
<u>\$ 318,861</u>	<u>\$ (1,933)</u>	<u>\$ 1,776,919</u>	<u>\$ 58,332</u>	<u>\$ 266,090</u>	<u>\$ -</u>

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Concluded)

	Special Revenue			
	Sheriff Inmate Welfare	Sheriff Voluntary Extra Duty	Sheriff Education	Clerk of Court Records Modernization
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Special Assessments	-	-	-	-
Intergovernmental Revenues	-	-	-	-
Charges for Services	108,240	24,455	2,999	84,602
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	2,400	-	17	173
Total Revenues	110,640	24,455	3,016	84,775
Expenditures				
Current:				
General Government	-	-	-	32,514
Public Safety	118,393	23,729	747	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	-	-	-
Human Services	-	-	-	-
Court-related	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Other Debt Service Costs	-	-	-	-
(Total Expenditures)	(118,393)	(23,729)	(747)	(32,514)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,753)	726	2,269	52,261
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Loan Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(7,753)	726	2,269	52,261
Fund Balances (Deficits), Beginning of Year As Restated	108,797	4,070	15,504	127,098
Fund Balances (Deficits), End of Year	\$ 101,044	\$ 4,796	\$ 17,773	\$ 179,359

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total Nonmajor</u>
<u>Debt</u>		<u>Turner</u>	<u>Governmental</u>
<u>Service</u>	<u>Construction</u>	<u>Reconstruction</u>	<u>Funds</u>
<u>Fund</u>			
\$ -	\$ -	\$ -	\$ 83,337
-	-	-	363,035
-	-	-	56,526
-	-	-	1,084,510
-	-	-	2,124,585
-	-	-	96,377
-	-	-	170,682
-	-	-	3,979,052
-	155,601	-	238,601
-	-	-	1,361,329
-	-	-	1,777,021
-	-	-	78,980
-	-	-	731,103
-	-	-	197,289
-	-	-	126,526
-	1,709,030	-	1,709,030
1,543,000	-	-	1,543,000
352,904	-	-	352,904
6,968	-	-	6,968
(1,902,872)	(1,864,631)	-	(8,122,751)
(1,902,872)	(1,864,631)	-	(4,143,699)
1,939,590	67,866	-	3,013,293
-	-	-	(366,350)
-	1,826,617	-	1,826,617
1,939,590	1,894,483	-	4,473,560
36,718	29,852	-	329,861
(80,913)	579	2,293	2,923,351
\$ (44,195)	\$ 30,431	\$ 2,293	\$ 3,253,212

DESOTO COUNTY, FLORIDA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2016

	<u>Board</u>		<u>Sheriff</u>		
	<u>Indigent Health Trust</u>	<u>Donations Fund</u>	<u>Cash Bond Fund</u>	<u>Individual Depositors Fund</u>	<u>Other Suspense Fund</u>
Assets					
Cash and Cash Equivalents	\$ 3	\$ 4,156	\$ 1	\$ 1,023	\$ 2,043
Accounts Receivable	-	-	-	-	1,591
Due from Other Governments	222,899	-	-	-	95
Total Assets	<u>222,902</u>	<u>4,156</u>	<u>1</u>	<u>1,023</u>	<u>3,729</u>
Liabilities					
Due to Other Governments	-	802	1	1,023	3,729
Due to Individuals and Businesses	222,902	3,354	-	-	-
Escrow Deposits	-	-	-	-	-
Total Liabilities	<u>\$ 222,902</u>	<u>\$ 4,156</u>	<u>\$ 1</u>	<u>\$ 1,023</u>	<u>\$ 3,729</u>

Sheriff	Clerk of the Courts			Tax Collector	
Inmate			Child	Tax	
Trust	Registry of	Special	Support	Collector	
Fund	Court Funds	Trust Fund	Fund	Fund	Totals
\$ 24,996	\$ 515,051	\$ 222,611	\$ 3,437	\$ 501,321	\$ 1,274,642
-	-	-	-	57,459	59,050
-	-	-	-	-	222,994
<u>24,996</u>	<u>515,051</u>	<u>222,611</u>	<u>3,437</u>	<u>558,780</u>	<u>1,556,686</u>
-	-	2,556	3,437	501,479	513,027
24,996	13,454	220,055	-	57,301	542,062
-	501,597	-	-	-	501,597
<u>\$ 24,996</u>	<u>\$ 515,051</u>	<u>\$ 222,611</u>	<u>\$ 3,437</u>	<u>\$ 558,780</u>	<u>\$ 1,556,686</u>

COMPLIANCE SECTION

DESOTO COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Grantor/Pass-through Agency	CFDA/ Number	Contract/ Grant Number	Award Amount	Expenditures
Federal Awards				
U.S. Department of Homeland Security,				
Federal Emergency Management Agency				
Passed Through Florida Department of Community Affairs:				
Emergency Management Performance Grants	97.042	16-FG-5A-07-24-01-080	\$ 57,197	\$ 45,924
Emergency Management Performance Grants	97.042	17-FG-PG-07-24-01-087	57,280	12,316
				<u>58,240</u>
State of Homeland Security	97.067	15DS-P4-07-24-01-419	16,000	15,370
				<u>15,370</u>
				<u>73,610</u>
Total U.S. Department of Homeland Security				
U.S. Department of Housing and Urban Development				
Passed Through Florida Department of Economic Opportunity:				
Florida Small Cities CDBG *	14.228	15DB-OJ-07-24-01-H05	750,000	328,718
Total U.S. Department of Housing and Urban Development				
				<u>328,718</u>
U.S. Department of Transportation,				
Federal Transit Administration				
Passed Through Florida Department of Transportation:				
Formula Grants for Other Than Urbanized Areas *	20.509	FPN 410121-1-84-32 AQR03	134,317	10,193
Formula Grants for Other Than Urbanized Areas *	20.509	FPN 410121-1-84-32 G0843	188,817	78,972
Formula Grants for Other Than Urbanized Areas *	20.509	FPN 431581-1-84-01 AQH81	464,800	47,354
				<u>136,519</u>
Transit Services Programs Cluster:				
Job Access - Reverse Commute Program	20.516	FPN 430620-1-84-01 AQ954	137,168	2,978
New Freedom Program	20.521	FPN 430619-1-84-01 AQ956	199,561	7,912
				<u>10,890</u>
Federal Highway Administration				
Passed Through Florida Department of Transportation:				
Highway Planning and Construction:				
Gateway Signs and Landscapes	20.205	FPN 429839-1-58-01 429839-1-68-01 G0366	161,916	94,514
Gateway Signs and Landscapes	20.205	FPN 430117-1-58-01 & 430117-1-68-01 G0367	161,916	119,348
				<u>213,862</u>
Total U.S. Department of Transportation				
				<u>361,271</u>
U.S. Department of Justice				
Passed Through Florida Department of Law Enforcement:				
State Criminal Alien Assistance Program (SCAAP)	16.606	2015-AP-BX-0720	14,927	14,927
Bulletproof Vest Partnership Program	16.607	Not Stated	5,724	5,724
Justice Assistance Grant (JAG) Program Cluster:				
Edward Byrne Memorial Justice Assistance Grants:				
Narcotics Enforcement Project	16.738	2016-JAGC-DESO-1-H3-142	33,750	33,750
Equipment Grant	16.738	2016-JAGD-DESO-1-H4-114	5,461	5,461
				<u>39,211</u>
Total U.S. Department of Justice				
				<u>59,862</u>
U.S. Environmental Protection Agency				
Passed Through Florida Department of Environmental Protection:				
Capitalization Grants for Drinking Water	66.468	DW140230	3,009,946	712,970
Total U.S. Environmental Protection Agency				
				<u>712,970</u>

DESOTO COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Concluded)

Grantor/Pass-through Agency	CFDA/ Number	Contract/ Grant Number	Award Amount	Expenditures
Federal Awards (Concluded)				
U.S. Department of Health and Human Services				
Passed Through Florida Department of Economic Opportunity:				
Low Income Home Energy Assistance Program	93.568	15-EA-0F-07-24-01-010	\$ 183,043	\$ 63,203
Low Income Home Energy Assistance Program	93.568	16-EA-0F07-24-01-010	172,482	118,429
				<u>181,632</u>
Passed Through Florida Department of Revenue:				
Child Support Enforcement - Reimbursement	93.563	COC14	N/A	40,633
Total U.S. Department of Health and Human Services				<u>222,265</u>
Total Federal Awards				<u>\$ 1,758,696</u>
State Financial Assistance				
Florida Department of Environmental Protection				
Small County Consolidated Grant	37.012	605SC	90,909	90,909
State Road 35 (US 17) Water System	37.039	LP14025	957,000	-
Wastewater Treatment Facility Construction **	37.077	DP140420	2,371,756	729,690
Total Florida Department of Environmental Protection				<u>820,599</u>
Florida Department of Transportation				
Transportation Disadvantaged Grant	55.002	43202911401 G0218	19,491	14,228
Transportation Disadvantaged Grant	55.002	43202911401 G0C38	19,476	5,259
				<u>19,487</u>
Public Transit Service Development Program	55.012	437507-1-84-01 ARU32	162,016	37,654
FTA Section 5311 & SDP	55.012	430312-1-84-01, 430312-2-94-01 Contract: AQE87	341,200	9,700
				<u>47,354</u>
Small County Outreach Program - Guardrail **	55.009	430095 1 58 01, 430099 1 58 01, 430100 1 58 01 AQQ84	1,623,900	412,342
Small County Outreach Program - NE Roan Road **	55.009	435048 1 58 01 ARS07	557,148	485,373
				<u>897,715</u>
Small County Road Assistance Program - SW Shores Ave **	55.016	435097 1 58 01 ARS08	344,005	187,573
Small County Road Assistance Program - NE Masters Ave **	55.016	431889 1 54 01 G0806	1,187,984	50,366
				<u>237,939</u>
Total Florida Department of Transportation				<u>1,202,495</u>
Florida Department of State, Division of Library and Information Services				
State Aid to Libraries	45.030	16-ST-13	59,722	59,722
Florida Housing Finance Corporation				
State Housing Initiatives Partnership	40.901	Not Stated	350,000	411,310
Florida Executive Office of the Governor				
Emergency Management Program	31.063	16-BG-83-07-24-01-013	105,806	71,523
Emergency Management Program	31.063	17-BG-83-07-24-01-020	105,806	28,482
				<u>100,005</u>
Florida Fish and Wildlife Commission				
Lettuce Lake Boating Improvements	77.006	12252	461,000	-
Florida Department of Agriculture and Consumer Services				
Mosquito Control Program	42.003	22281	31,540	43,012
Total State Financial Assistance				<u>\$ 2,637,143</u>

* Denotes major federal awards program.

** Denotes major state financial assistance project.

DESOTO COUNTY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Note 1 - General

The accounting policies and presentation of the accompanying schedule of expenditures of federal awards and state financial assistance of DeSoto County, Florida (the County), have been designed to conform with generally accepted accounting principles applicable to governmental units, including the reporting and compliance requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) (federal awards); and Chapter 10.550, *Rules of the Auditor General* of the State of Florida (for state financial assistance).

The County reporting entity is defined in Note 1 to the County's basic financial statements for the year ended September 30, 2016. All federal awards and state financial assistance received directly from federal or state agencies, as well as federal awards and state financial assistance passed through other governmental agencies, are included in the schedule.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance is presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis, as described in Note 1 to the County's financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

Note 3 - Contingencies

Grant monies received and disbursed by the County are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowance of expenditures. Based upon prior experience, the County does not believe that such disallowances, if any, would have a material effect on the financial statements.

Note 4 - Indirect Cost Rate Election

The County did not elect to use the de minimus rate of 10% for determining indirect cost amounts for federal awards and state projects.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DeSoto County, Florida (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 9, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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.

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Honorable Members of the Board of County Commissioners
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(*Concluded*)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described below:

■ **2016-1—Expenditures in Excess of Budgeted Appropriations**

Condition—In accordance with Florida Statute 129.07, it is unlawful for the Board of County Commissioners to exceed the budget. The Board of County Commissioners budget may be increased with a budget amendment, however during fiscal year 2016, no amendment was made for the following circumstance:

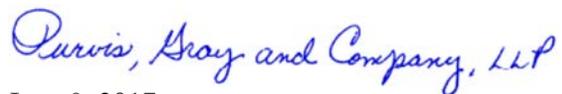
- There were no budget amendments made for the FPL Savings Project totaling \$1.8 million. The expenditures and capital outlay exceeded the budget by \$1.8 million, and the other financing sources budget was underreported by the corresponding \$1.8 million related to the project.

Effect—The Board of County Commissioners budget was not amended, and, therefore, is not in compliance with Florida Statute 129.07, which requires all expenditures the County to be within the adopted budget, as amended.

Recommendation—We recommend that in the future, the Board of County Commissioners amend their budget to ensure expenditures are within budget and timely in accordance with Florida Statute 129.06.

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.



June 9, 2017
Sarasota, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

Report on Compliance for Each Major Federal Program/State Project

We have audited the DeSoto County, Florida (the County)'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement*, and the requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the County's major federal programs and state projects for the year ended September 30, 2016. The County's major federal programs and state projects are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and condition of its federal awards applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Those standards, rules, and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2016.

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Honorable Members of the Board of County Commissioners
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL
(Concluded)**

Report on Internal Control over Compliance

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

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

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

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



June 9, 2017
Sarasota, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
DESOTO COUNTY, FLORIDA**

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DeSoto County, Florida (the County), as of and for the year ended September 30, 2016, which collectively comprise the County's basic financial statements.
2. No material weaknesses or significant deficiencies in the internal control over financial reporting were disclosed during the audit of the basic financial statements (see independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*).
3. One instance of noncompliance material to the financial statements of the County was disclosed during the audit (see the same report referenced in 2).
4. No material weaknesses or significant deficiencies in internal control over major federal award programs or state financial assistance projects were disclosed during the audit (see independent auditors' report on compliance for each major federal program and state project and on internal control over compliance required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*).
5. An unmodified opinion was issued on compliance over major federal programs and major state projects (see the same report referenced in 4).
6. Audit findings relative to the major federal award programs for the County are reported in Part C of this schedule. Audit findings relative to the major state financial assistance projects are reported in Part D of this schedule.
7. The programs/projects tested as major programs/projects included the following:
 - **Major Federal Programs**
 - U.S. Department of Housing and Urban Development, Passed Through Florida Department of Economic Opportunity, Florida Small Cities CDBG, CFDA No. 14.228.
 - U.S. Department of Transportation Federal Transit Administration, Passed Through Florida Department of Transportation, Formula Grants for Other than Urbanized Areas, CFDA No. 20.509.
 - **Major State Projects**
 - Florida Department of Transportation, Small County Outreach, CSFA No. 55.009.
 - Florida Department of Transportation, Small County Road Assistance Program, CSFA No. 55.016.
 - Florida Department of Environmental Protection, Wastewater Treatment Facility Construction, CSFA No. 37.077.
8. The threshold for distinguishing Type A and Type B programs/projects was \$750,000 for major federal award programs and \$300,000 for major state financial assistance projects.
9. The County did qualify as a low-risk auditee pursuant to the Uniform Guidance.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
DESOTO COUNTY, FLORIDA
(Concluded)**

PART B - FINDINGS - FINANCIAL STATEMENT AUDIT

None

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

PART D - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

None

PART E - OTHER ISSUES

No summary schedule of prior audit findings is required because there were no findings in prior year Federal or Florida *Single Audits*. No corrective plan is required because there were no findings in the current year requiring correction under the Federal or Florida *Single Audit Acts*.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

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

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

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

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

Purvis, Gray and Company, LLP

June 9, 2017
Sarasota, Florida

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**INDEPENDENT ACCOUNTANTS' REPORT ON
COMPLIANCE WITH SECTION 365.172(10)
AND SECTION 365.173(2)(d), FLORIDA STATUTES**

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

We have examined DeSoto County, Florida (the County)'s compliance with Section 365.172(10), Florida Statutes, Authorized Expenditures of E911 Fee and Section 365.173(2)(d), Florida Statutes, Distribution and Use of (E911) Funds, during the fiscal year ended September 30, 2016. Management is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Purvis, Gray and Company, LLP

June 9, 2017
Sarasota, Florida

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MANAGEMENT LETTER

Honorable Members of the Board of County Commissioners
DeSoto County, Florida

Report on the Financial Statements

We have audited the basic financial statements of DeSoto County, Florida (the County), as of and for the year ended September 30, 2016, and have issued our report thereon dated June 9, 2017.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Reports on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 9, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The County has disclosed this information in the notes to the financial statements and there are no component units.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.557(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the County has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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Honorable Members of the Board of County Commissioners
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition (Concluded)

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.557(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the County for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

Purvis, Gray and Company, LLP

June 9, 2017
Sarasota, Florida

DeSoto County

Board of County Commissioners Administrative Services Department

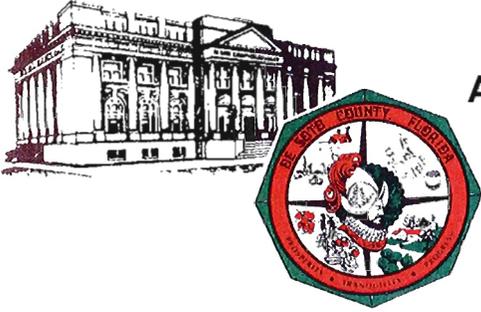
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June 9, 2017

Purvis, Gray and Company
Certified Public Accountants
5001 Lakewood Ranch Boulevard, N., Suite 101
Sarasota, FL 34240

Re: 2016 Audit

Our response to Management Letter Comment is as follows:

2016-1 Expenditures in Excess of Budgeted Appropriations

The County will review their budget amendment procedures and ensure that the amendments are done in time and in accordance with Florida Statute 129.07. The County Administrator and Finance staff have reviewed and revised the County's Financial Policies to strengthen the budgeting process and put certain guidelines in place that would eliminate issues such as this in the future.

Sincerely,

DESOTO COUNTY, FLORIDA

Peter Danao, Interim Finance Director

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CLERK OF THE CIRCUIT AND COUNTY COURTS
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CLERK OF THE CIRCUIT AND COUNTY COURTS
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

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INDEPENDENT AUDITORS' REPORT

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto 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 DeSoto County, Florida Clerk of the Circuit and County Courts (the Clerk) as of and for the year ended September 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

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 Clerk as of September 30, 2016, and the respective changes in financial position where applicable thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position and changes in financial position and budgetary comparisons of each major fund and the aggregate remaining fund information, where applicable, only for that portion of the major funds and the aggregate remaining fund information of DeSoto County, Florida that is attributable to the Clerk. They do not purport to, and do not, present fairly the financial position of DeSoto County, Florida, as of September 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Financial Information

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

The other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the financial statements as a whole.

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2017, on our consideration of the Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Clerk's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

May 5, 2017
Sarasota, Florida

FINANCIAL STATEMENTS

**DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Public Records Trust Fund</u>	
Assets			
Cash and Cash Equivalents	\$ 68,051	\$ 179,359	\$ 247,410
Due from Officer	1,371	0	1,371
Due from Other Governments	13,152	0	13,152
Total Assets	<u>82,574</u>	<u>179,359</u>	<u>261,933</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	436	0	436
Accrued Payroll and Payroll Taxes	69	0	69
Due to Board of County Commissioners	19,137	0	19,137
Due to Other Governments	58,646	0	58,646
Total Liabilities	<u>78,288</u>	<u>0</u>	<u>78,288</u>
Deferred Inflows			
Unavailable Revenues	4,286	0	4,286
Fund Balances			
Restricted for:			
Records Modernization	0	179,359	179,359
Total Fund Balances	<u>0</u>	<u>179,359</u>	<u>179,359</u>
Total Liabilities and Fund Balances	<u>\$ 82,574</u>	<u>\$ 179,359</u>	<u>\$ 261,933</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Major Funds		Total Governmental Funds
	General Fund	Public Records Trust Fund	
Revenues			
Intergovernmental Revenues	\$ 84,205	\$ 0	\$ 84,205
Charges for Services	776,844	84,602	861,446
Interest	486	173	659
Total Revenues	<u>861,535</u>	<u>84,775</u>	<u>946,310</u>
Expenditures			
Current:			
General Government:			
Personnel Services	184,000	0	184,000
Operating Expenditures	14,150	32,514	46,664
Court-related Services:			
Personnel Services	589,779	0	589,779
Operating Expenditures	50,373	0	50,373
Intergovernmental Expenditures	19,096	0	19,096
(Total Expenditures)	<u>(857,398)</u>	<u>(32,514)</u>	<u>(889,912)</u>
Excess of Revenues Over Expenditures	<u>4,137</u>	<u>52,261</u>	<u>56,398</u>
Other Financing Sources			
Transfers in from DeSoto County			
Board of County Commissioners	15,000	0	15,000
Transfers (out) to DeSoto County			
Board of County Commissioners	(19,137)	0	(19,137)
Total Other Financing Sources	<u>(4,137)</u>	<u>0</u>	<u>(4,137)</u>
Net Change in Fund Balances	0	52,261	52,261
Fund Balance, Beginning of Year	<u>0</u>	<u>127,098</u>	<u>127,098</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 179,359</u>	<u>\$ 179,359</u>

See accompanying notes.

**DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2016**

Assets	
Cash	<u><u>\$ 741,099</u></u>
Liabilities	
Due to Other Governments	5,993
Due to Individuals	233,509
Escrow Deposits	<u>501,597</u>
Total Liabilities	<u><u>\$ 741,099</u></u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements.

Reporting Entity

DeSoto County, Florida (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of Florida.

The DeSoto County, Florida Clerk of the Circuit and County Courts (the Clerk) is an elected constitutional officer of the County as provided by the Constitution of the State of Florida. The Clerk is responsible for the administration and operation of the Clerk's office, including the Circuit and County court systems.

Certain costs of the court systems (communications services; existing radio systems; existing multiagency criminal justice information systems; and the cost of construction or lease, maintenance, utilities, and security of facilities for the trial courts, public defenders' offices, and state attorneys' offices) are required by Article V, *Florida Constitution*, to be funded by the Board. Such costs are not included herein.

For financial statement reporting purposes, the Clerk is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Clerk's office, but are not a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General - Local Governmental Entity Audits*.

The financial transactions of the Clerk are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures of each fund category) for the determination of major funds. Major funds are reported separately in the basic financial statements of the Clerk.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

The Clerk reports the following major governmental funds:

■ **Governmental Funds**

- **General Fund**—is a governmental fund used to account for all revenues and expenditures applicable to the general operations of the Clerk that are not accounted for in another fund.

- **Public Records Trust Fund**—is a special revenue fund used to account for recording fees and licenses and investment income on the money restricted for record modernization.

In addition, the Clerk also reports the following other fund type:

■ **Fiduciary Funds**

- **Agency Funds**—are fiduciary funds and are used to account for assets received and held by the Clerk in the capacity of an agent for the Board, other governmental agencies, or individuals. Agency funds are custodial in nature and do not involve measurement of changes in financial position. The Clerk has several agency funds for varying purposes.

Funding of Clerk Activities

With the implementation of Revision 7 to Article V on July 1, 2004, the Clerk's activities are now classified as either court or non-court. Both the court and non-court activities are reported within the Clerk's general fund.

The non-court activities are funded through service charges for recording instruments and documents into the official records, and through transfers in from the Board.

The court activities are funded by fines, fees, service charges, and court cost collections, plus a monthly state appropriation for the projected deficiency. Beginning in 2014, the state appropriation represented an allocation from the Clerks of Court Operations Corporation (CCOC), pursuant to a contract between the CCOC and the Chief Financial Officer of the State of Florida.

The Public Records Trust Fund is funded by a portion of recording fees, 10% of the collections of court-related fines, fees, service charges, and court cost collections.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, and also refers to the timing of the measurements made, regardless of the measurement focus applied.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Concluded)

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. The Clerk considers receivables collected within 30 days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid. Agency funds are accounted for using the accrual basis of accounting.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

Budgetary Requirement

The budget for the Clerk's general fund consists of two parts: a budget for non-court activities approved by the Board (the Board Budget); and a budget for court activities approved by the CCOC (the State Budget). Both budgets are on a basis consistent with GAAP. The budget adopted for the Public Records Trust Fund is an internally developed and approved budget, with no legal level of budgetary control.

Budgetary control in the Board budget is generally at the total appropriations level (before transfers out). Budgetary changes within the total Board budget are made at the discretion of the Clerk. Amendments that increase total appropriations (before transfers out) must be submitted to the Board. In the case of the State budget, budgetary control is also at the total appropriations level (including reserves but excluding intergovernmental expenditures). Amendments must be approved by the CCOC.

Included in the required supplementary information section of the accompanying financial statements, is a budget to actual comparison for the general fund and the Public Records Trust Fund. Expenditures for the general fund are segregated between the State and the Board budgets to illustrate budgetary compliance.

Supplemental Funding and Return of "Excess Fees"

The operations of the Clerk are approved and primarily funded from fees and charges authorized under Florida Statutes, and supplemental appropriations from the CCOC or the Board.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Supplemental Funding and Return of "Excess Fees" (Concluded)

For non-court activities, the supplemental funding from the Board is recorded as transfers in on the accompanying statement of revenues, expenditures, and changes in fund balance. Any excess of revenues and transfers in over expenditures for non-court activities (including child support activities) for the year ended September 30, are reported as transfers out and due to the Board, and are payable by October 31.

For court activities, the supplemental funding from the CCOC is recorded as intergovernmental revenue on the accompanying statement of revenues, expenditures, and changes in fund balance. The amount returned is recorded as intergovernmental expenditures. For the period October 1, 2015 through September 30, 2016, the amount recorded as Due to Other Governments includes \$59,739 of September 2016 revenues, that can be retained to fund 2017 expenditures, less \$1,093 due from the state.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Deferred Inflows/Unavailable Revenues

Deferred inflows represent revenues that have been earned, but are not available (because they were received more than 30 days after year-end).

Fund Balances

The Clerk implemented the provisions of the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) in 2011, as required. The purpose of GASB 54 was to improve the consistency and usefulness of fund balance information to the financial statement user. The statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components—nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash; or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Clerk does not have any nonspendable fund balances.
- **Restricted**—This component of fund balances consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments); or (b) by law through constitutional provisions or enabling legislation.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Fund Balances (Concluded)

- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., policy) of the organization’s governing authority. By statute, the Clerk herself is the governing authority. These committed amounts cannot be used for any other purpose unless the Clerk removes or changes the specified use by taking the same type of action (e.g., policy) she employed to constrain those amounts. The Clerk does not have any committed fund balances.

- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization’s governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The Clerk has not delegated the responsibility to assign fund balances to any individual or body.

- **Unassigned**—This classification is used for: (a) negative unrestricted fund balances in any governmental fund; or (b) fund balances within the general fund that are not restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the Clerk’s policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned), as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the Clerk’s policy to use committed resources first, then assigned, and then unassigned, as needed.

Use of Estimates

The preparation of financial statements in accordance generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying financial statements and notes. Actual results could differ from estimates.

Net Pension Liability

The Clerk participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. Employers participating in cost-sharing, multiple-employer, defined benefit pension plans to report the employers’ proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. However, these liabilities would be recorded in government-wide financial statements, which are not required in this special-purpose presentation. As such, only the applicable disclosures have been presented herein. The net pension liability is recorded in the County-wide statement of net position as part of the basic financial statements of the County.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Cash and Investments

At year-end, the carrying amount of the Clerk's deposits was \$988,508 (\$247,409 in governmental funds and \$741,099 in agency funds) and the bank balance was \$1,205,536. All of the Clerk's public deposits are held in qualified public depositories (QPDs) pursuant to Florida Statutes, Chapter 280. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

The Clerk maintains cash on hand for the purpose of making change on transactions. However, at September 30, 2016, the Clerk held no cash on hand.

Investments

The Clerk has not adopted an investment policy and so, by statute, follows the State's guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including County officers, to follow the State policy in Section 218.415(17), Florida Statutes. That section authorizes the following investments:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*, as provided in Florida Statute 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in QPD.
- Direct obligations of the U.S. Treasury.

The Clerk does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Clerk had no investments at year-end, or during the year.

Note 3 - Capital Assets

The tangible personal property used by the Clerk in its governmental fund operations, is reported as capital assets in the statement of net position in the County's basic financial statements. Upon acquisition, such assets are recorded as expenditures in the governmental fund types of the Clerk and capitalized at cost in the capital asset accounts of the County. The Clerk maintains custodial responsibility for the capital assets used by her office.

Note 4 - Accounts Payable

Accounts payable balances in the general and special revenue funds are primarily payable to third party vendors for goods received and services rendered.

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 5 - Accumulated Compensated Absences

The amount of vested accumulated compensated absences payable under the Clerk’s leave policy is reported as a liability in the statement of net position in the County’s basic financial statements. That liability is based on earned but unused leave time (vacation and sick) at current pay rates, plus FICA taxes related thereto. Leave time is accrued per the policy based on length of employment, and is payable at 100% upon retirement in good standing. Leave time earned after December 31, 2013, is capped from 90 to 500 hours depending on years of service.

The policy explains that payouts for unused leave time are subject to funding availability. Nonvested amounts are not accrued and not considered to be significant.

The change in accumulated compensated absences during the year is as follows:

Beginning Balance	\$ 27,273
Net Decrease	<u>(7,670)</u>
Ending Balance	<u>\$ 19,603</u>

The portion of the compensated absences liability estimated to be paid during the next year (current portion) is \$3,787.

Note 6 - Employee Retirement Plan

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing, multiple-employer, defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Clerk are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer, defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services’ web site (www.dms.myflorida.com).

The Clerk’s contributions to the FRS plan totaled \$72,220 for the fiscal year ended September 30, 2016 (all plans).

NOTES TO FINANCIAL STATEMENTS
DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Employee Retirement Plan (Continued)

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer, defined benefit pension plan, with a DROP for eligible employees. The general classes of membership applicable to the Clerk are as follows:

- *Regular Class*—Members of the Plan who do not qualify for membership in the other classes.
- *Elected County Officer Class*—Members who hold specified elective offices in local government.
- *Senior Management Service Class*—Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned:

**NOTES TO FINANCIAL STATEMENTS
DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
SEPTEMBER 30, 2016
(Continued)**

Note 6 - Employee Retirement Plan (Continued)

FRS Pension Plan (Continued)

Benefits Provided. (Concluded)

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class Members Initially Enrolled Before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-2016 fiscal years were as follows:

<u>Class</u>	<u>Year Ended June 30, 2016</u>		<u>Year Ended June 30, 2017</u>	
	<u>Percent of Gross Salary</u>		<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
FRS, Regular	3.00	5.56	3.00	5.80
FRS, Elected County Officers	3.00	40.57	3.00	40.75
FRS, Senior Management Service	3.00	19.73	3.00	20.85
DROP - Applicable to Members				
from All of the Above Classes	0.00	11.22	0.00	11.33
FRS, Reemployed Retiree	(1)	(1)	(1)	(1)

Notes: (1) Contribution rates are dependent upon retirement class in which reemployed.

NOTES TO FINANCIAL STATEMENTS
DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Employee Retirement Plan (Continued)

FRS Pension Plan (Concluded)

Contributions. (Concluded)

The Clerk's contributions (employer only) to the Plan totaled \$63,147 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Further details of the FRS Plan net pension liability, deferred inflows and outflows, annual pension expense, actuarial assumptions, sensitivity analysis, and other required disclosures can be found in the County-wide annual financial report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing, multiple-employer, defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended June 30, 2017 and 2016, the contribution rate was 1.66% of payroll respectively, pursuant to Section 112.363, Florida Statutes. The Clerk contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Clerk's contributions to the HIS Plan totaled \$8,860 for the fiscal year ended September 30, 2016.

Further details of the HIS Plan net pension liability, deferred inflows and outflows, annual pension expense, actuarial assumptions, sensitivity analysis, and other required disclosures can be found in the County-wide annual financial report.

**NOTES TO FINANCIAL STATEMENTS
DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
SEPTEMBER 30, 2016
(Continued)**

Note 6 - Employee Retirement Plan (Continued)

FRS – Defined Contribution Pension Plan

The Clerk contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. (In 2016, no employees had elected to directly participate in the Investment Plan). The Investment Plan is administered by the SBA, and is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member’s account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Clerk employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment members’ accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67

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. If an accumulated benefit obligation for service credit originally earned under the Plan is transferred to the Investment Plan, the member must have the years of service required for Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Clerk.

NOTES TO FINANCIAL STATEMENTS
DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
SEPTEMBER 30, 2016
(Concluded)

Note 6 - Employee Retirement Plan (Concluded)

FRS – Defined Contribution Pension Plan (Concluded)

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Clerk's contributions (employer only) to the Investment Plan totaled \$213 for the fiscal year ended September 30, 2016.

Note 7 - Postemployment Benefits Other than Pensions

The Board offers postemployment health care benefits to all retired employees of the Clerk's office and their dependents. Participating retirees are required to reimburse the Board for 100% of the premium cost, which is netted against the premium payment, so that no net expense is initially recorded in the Board's financial statements. However, these retirees are receiving an "implicit subsidy" because the premium is a group rate, which includes active, lower cost employees.

This implicit subsidy has a cost which under GAAP is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Clerk's office. Accordingly, these calculations and disclosures will be found in the County-wide annual financial report.

Note 8 - Risk Management

The Clerk's office is covered for employee medical, workers' compensation, liability, and casualty risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Clerk is also protected under sovereign immunity up to a maximum of \$200,000 per person/\$300,000 per occurrence for claims against the Clerk involving negligence, including automobile and general liability. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature. During the year ended September 30, 2016, the Clerk paid \$109,557 to the Board for insurance coverage (medical and life insurance).

Note 9 - Litigation and Contingencies

From time-to-time, the office of the Clerk is involved as a defendant in certain litigation and claims arising from the ordinary course of operations. In the opinion of legal counsel, the range of potential liabilities will not materially affect the operations of the Clerk's office or the financial position of the County, which would be required to fund any claim payments.

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenues	\$ 40,000	\$ 66,132	\$ 84,205	\$ 18,073
Charges for Services:				
Court Activities	759,502	718,064	574,557	(143,507)
Non-Court Activities	165,000	165,000	202,287	37,287
Interest	600	630	486	(144)
Total Revenues	965,102	949,826	861,535	(88,291)
Expenditures				
Board Budget:				
General Government:				
Personnel Services	160,000	160,000	184,000	(24,000)
Operating Expenditures	20,000	20,000	14,150	5,850
State Budget:				
Court-related Services:				
Personnel Services	740,147	724,871	589,779	135,092
Operating Expenditures	59,955	59,955	50,373	9,582
Intergovernmental Expenditures	0	0	19,096	(19,096)
(Total Expenditures)	(980,102)	(964,826)	(857,398)	107,428
Excess of Revenues Over Expenditures	(15,000)	(15,000)	4,137	19,137
Other Financing Sources (Uses)				
Transfers in from DeSoto County				
Board of County Commissioners	15,000	15,000	15,000	0
Transfers out to DeSoto County				
Board of County Commissioners	0	0	(19,137)	(19,137)
Total Other Financing Sources (Uses)	15,000	15,000	(4,137)	(19,137)
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0

DESOTO COUNTY, FLORIDA
CLERK OF THE CIRCUIT AND COUNTY COURTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - PUBLIC RECORDS TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 120,000	\$ 120,000	\$ 84,602	\$ (35,398)
Interest	0	0	173	173
Total Revenues	<u>120,000</u>	<u>120,000</u>	<u>84,775</u>	<u>(35,225)</u>
Expenditures				
General Government:				
Operating Expenditures	120,000	120,000	32,514	87,486
(Total Expenditures)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(32,514)</u>	<u>87,486</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52,261</u>	<u>\$ 52,261</u>

OTHER FINANCIAL INFORMATION

**DESOTO COUNTY, FLORIDA
 CLERK OF THE CIRCUIT AND COUNTY COURTS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 SEPTEMBER 30, 2016**

	<u>Registry of Court Fund</u>	<u>Special Trust Fund</u>	<u>Child Support Fund</u>	<u>Total Agency Funds</u>
Assets				
Cash	\$ 515,051	\$ 222,611	\$ 3,437	\$ 741,099
Liabilities				
Due to Other Governments	0	2,556	3,437	5,993
Due to Individuals	13,454	220,055	0	233,509
Escrow Deposits	501,597	0	0	501,597
Total Liabilities	<u>\$ 515,051</u>	<u>\$ 222,611</u>	<u>\$ 3,437</u>	<u>\$ 741,099</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto 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 DeSoto County, Florida Clerk of the Circuit and County Courts (the Clerk), as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clerk'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 Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clerk'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 the 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. We did identify a deficiency in internal control, described below, that we consider to be a significant deficiency:

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Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)**

Internal Control Over Financial Reporting (Concluded)

■ **2016-1 Segregation of Duties**

Condition—One of the basic tenets of a sound system of internal controls is the segregation of incompatible duties among employees. The premise is that to minimize control issues, duties should be segregated among employees so that individuals do not perform all of the accounting functions for a single area. During our audit, we identified instances where one individual performs journal entries, enters invoices, writes checks, signs checks, and reconciles the bank statements. That same individual authorizes purchases and payroll, and records and reconciles all transactions.

Effect—Lack of segregation of incompatible duties can result in errors or irregularities that will not be prevented, or detected and corrected, on a timely basis.

Recommendation—We recommend that the Clerk review the internal control policies and procedures to limit the risks resulting from a lack of segregation of duties. Such mitigating controls could include having multiple employees perform the duties described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk'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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described below:

■ **2016-2 Salary Overpayment**

Condition—The Clerk's salary was calculated pursuant to the salary formula in Chapter 145, Florida Statutes; however, the total was spread over 52 pay periods, when there were actually 53 pay periods in 2016. This caused the Clerk to be overpaid in fiscal year 2016. There were two Clerks in office throughout fiscal year 2016. The Clerks' salaries totaled \$103,486, which exceeded the amount determined by the State Department of Management Services by \$1,371.

Effect—The Clerks' salaries for fiscal year 2016 exceeded the amount determined by the State Department of Management. This overpayment is a violation of Florida Statute 219.06(3), which states that the amount withdrawn for an officer's salary shall not exceed his or her interest therein. The overpayment is reflected on the financial statements as "Due from Officer".

Recommendation—We recommend that the Clerk return the additional money that was paid to her in 2016. We also recommend that the Clerk review the number of pay periods in each fiscal year when determining the amount to pay weekly. This will ensure that once all checks are paid throughout the fiscal year, the total amount paid does not exceed the statutory amount.

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

The Clerk's Response to Findings

The Clerk's response to the findings identified in our audit is included in the accompanying management letter. The Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Clerk's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

May 5, 2017
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

We have examined the DeSoto County, Florida Clerk of the Circuit and County Courts' (the Clerk) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2016. Management is responsible for the Clerk's compliance with those requirements. Our responsibility is to express an opinion on the Clerk's compliance based on our examination.

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

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

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

Purvis, Gray and Company, LLP

May 5, 2017
Sarasota, Florida

Certified Public Accountants

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTIONS 28.35 AND 28.36, FLORIDA STATUTES**

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

We have examined the DeSoto County, Florida Clerk of the Circuit and County Courts' (the Clerk) compliance with Sections 28.35 and 28.36, Florida Statutes, during the fiscal year ended September 30, 2016. Management is responsible for the Clerk's compliance with those requirements. Our responsibility is to express an opinion on the Clerk's compliance based on our examination.

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

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

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

Purvis, Gray and Company, LLP

May 5, 2017
Sarasota, Florida

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 61.181, FLORIDA STATUTES**

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

We have examined the DeSoto County, Florida Clerk of the Circuit and County Courts' (the Clerk) compliance with Section 61.181, Florida Statutes, during the fiscal year ended September 30, 2016. Management is responsible for the Clerk's compliance with those requirements. Our responsibility is to express an opinion on the Clerk's compliance based on our examination.

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

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

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


May 5, 2017
Sarasota, Florida

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MANAGEMENT LETTER

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the DeSoto County, Florida Clerk of the Circuit and County Courts (the Clerk) as of and for the year ended September 30, 2016, and have issued our report thereon dated May 5, 2017.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Reports on Compliance with Sections 218.415, 61.181, 28.35, and 28.36, Florida Statutes. Disclosures in those reports, which are dated May 5, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations 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. In that regard, the Clerk was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Clerk does not have any component units.

Other Matters

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

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Nadia Daughtrey
Clerk of the Circuit and County Courts
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Other Matters (Concluded)

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

Purpose of this Letter

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

A handwritten signature in blue ink that reads "Purvis, Gray and Company, LLP". The signature is written in a cursive, flowing style.

May 5, 2017
Sarasota, Florida



Nadia K. Daughtrey

DeSOTO COUNTY CLERK OF THE CIRCUIT COURT

115 EAST OAK STREET - ARCADIA, FLORIDA 34266
PHONE (863) 993-4876 / FAX (863) 993-4669

May 8, 2017

Purvis, Gray & Company
5001 Lakewood Ranch Blvd. North, Suite 101
Sarasota, FL 34240

Re: Financial Statements and Independent Auditors' Report

To Whom It May Concern:

Regarding your recommendations from the Financial Statements and Independent Auditors' Report for the fiscal year ending on September 30, 2016, please note the following responses:

2016-1 Segregation of Duties-I have hired a full time employee specifically for the purpose check reconciliations and as a dual control measure this employee is not authorized to sign on any of the Clerk's checking accounts. I review and approve all checks, invoices and requests for payment, evidenced by my signature or initials. Prior to check reconciliation I review preliminary bank statements and check images to ensure all checks do in fact contain my signature. Additionally, this employee writes the checks and the Clerk signs the checks. I have trained another employee within the office to make purchases, I then approve the purchase and sign the checks for purchase.

2016-2 Salary Overpayment – The accounting software that is used by the Clerk automatically calculated the weeks at 52 weeks when it should have been for 53 weeks. The Clerk, Nadia K. Daughtrey, will return the overpayment of \$1,370.92 that was paid to her. The Clerk will also send a letter to former Clerk Ashley Coone to inform her that she will need to return the overpayment of \$605.03 that was paid to her. Going forward, in the last month of every fiscal year the Clerk will audit the Clerk's annual salary to ensure that an overpayment has not been made and will adjust accordingly if needed.

Respectfully submitted,

Nadia K. Daughtrey
DeSoto County Clerk of Courts

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**SHERIFF
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**SHERIFF
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

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INDEPENDENT AUDITORS' REPORT

Honorable William P. Wise
Sheriff
DeSoto 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 DeSoto County, Florida Sheriff (the Sheriff) as of and for the year ended September 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Sheriff as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Honorable William P. Wise
Sheriff
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Emphasis of Matter - Incomplete Presentation

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

Other Matters

Required Supplementary Information

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

Other Financial Information

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

The other financial information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the financial statements as a whole.

Honorable William P. Wise
Sheriff
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Curvis, Gray and Company, LLP

December 20, 2016
Sarasota, Florida

DESOTO COUNTY, FLORIDA
SHERIFF
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>Major Funds</u>			<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Communications Fund</u>	<u>Inmate Welfare Fund</u>		
Assets					
Cash	\$ 632,875	\$ 130,095	\$ 145,191	\$ 22,021	\$ 930,182
Due from Other Governments	11,066	0	0	0	11,066
Due from Individuals and Businesses	0	882	8,574	1,176	10,632
Total Assets	<u>643,941</u>	<u>130,977</u>	<u>153,765</u>	<u>23,197</u>	<u>951,880</u>
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities					
Vouchers Payable	342,450	24,211	47,741	0	414,402
Accrued Liabilities	90,062	8,527	0	523	99,112
Due to Board of County Commissioners	211,429	98,239	0	0	309,668
Total Liabilities	<u>643,941</u>	<u>130,977</u>	<u>47,741</u>	<u>523</u>	<u>823,182</u>
Deferred Inflows of Resources					
Unavailable Grant Revenue	0	0	4,980	105	5,085
Fund Balances					
Restricted for:					
Inmate Benefits	0	0	101,044	0	101,044
Voluntary Extra Duty	0	0	0	4,796	4,796
Education and Training	0	0	0	17,773	17,773
Total Fund Balances	<u>0</u>	<u>0</u>	<u>101,044</u>	<u>22,569</u>	<u>123,613</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 643,941</u>	<u>\$ 130,977</u>	<u>\$ 153,765</u>	<u>\$ 23,197</u>	<u>\$ 951,880</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Major Funds</u>			<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Communications Fund</u>	<u>Inmate Welfare Fund</u>		
Revenues					
Intergovernmental	\$ 122,562	\$ 10,587	\$ 0	\$ 0	\$ 133,149
Charges for Service	28,500	0	108,240	27,454	164,194
Interest Income	1,328	0	0	17	1,345
Miscellaneous Income	20,305	0	2,400	0	22,705
Total Revenues	<u>172,695</u>	<u>10,587</u>	<u>110,640</u>	<u>27,471</u>	<u>321,393</u>
Expenditures					
Current:					
Public Safety - Law Enforcement:					
Personnel Services	4,287,367	0	0	23,309	4,310,676
Operating Expenditures	988,876	0	0	1,167	990,043
Capital Outlay	635,235	0	0	0	635,235
Public Safety - Corrections:					
Personnel Services	2,201,781	0	0	0	2,201,781
Operating Expenditures	1,363,670	0	71,443	0	1,435,113
Capital Outlay	73,675	0	46,950	0	120,625
Public Safety - Communications:					
Personnel Services	0	686,974	0	0	686,974
Operating Expenditures	0	82,159	0	0	82,159
Capital Outlay	0	28,853	0	0	28,853
Court Services -					
Courthouse Security:					
Personnel Services	382,740	0	0	0	382,740
(Total Expenditures)	<u>(9,933,344)</u>	<u>(797,986)</u>	<u>(118,393)</u>	<u>(24,476)</u>	<u>(10,874,199)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(9,760,649)</u>	<u>(787,399)</u>	<u>(7,753)</u>	<u>2,995</u>	<u>(10,552,806)</u>
Other Financing Sources (Uses)					
Transfers from Board of County Commissioners:					
Primary Allocation	9,920,530	885,638	0	0	10,806,168
Supplemental Funding	51,548	0	0	0	51,548
Transfers to Board of County Commissioners	(211,429)	(98,239)	0	0	(309,668)
Total Other Financing Sources (Uses)	<u>9,760,649</u>	<u>787,399</u>	<u>0</u>	<u>0</u>	<u>10,548,048</u>
Net Change in Fund Balances	0	0	(7,753)	2,995	(4,758)
Fund Balances, Beginning of Year	0	0	108,797	19,574	128,371
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 101,044</u>	<u>\$ 22,569</u>	<u>\$ 123,613</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
SHERIFF
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2016

	<u>Total Agency Funds</u>
Assets	
Cash	\$ 28,063
Due from Individuals and Businesses	1,591
Total Assets	<u>29,654</u>
Liabilities	
Due to Other Governments	4,753
Due to Individuals and Businesses	24,901
Total Liabilities	<u>\$ 29,654</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements:

Reporting Entity

DeSoto County, Florida (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of Florida.

The DeSoto County, Florida Sheriff (the Sheriff) is an elected constitutional officer of the County as provided for by the Constitution of the State of Florida. Pursuant to Chapter 129, Florida Statutes, the Sheriff's budget is submitted to the Board for approval. The Board appropriates and distributes to the Sheriff on a monthly basis funds necessary to operate the Sheriff's office. Any excess of appropriations received from the Board over actual expenditures for the fiscal year is required to be returned to the Board within 31 days after the close of the fiscal year.

For financial statement purposes, the Sheriff is deemed to be part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Sheriff's office, but are not intended to be a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General—Local Governmental Entity Audits*.

The financial transactions of the Sheriff are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprise its assets, liabilities, deferred inflows, fund equity, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures of each fund category) for the determination of major funds. Major funds are reported separately in the basic financial statements of the Sheriff.

The Sheriff reports the following major governmental funds:

■ **Governmental Fund Types**

- **The General Fund**—a governmental fund—is used to account for all general operations of the Sheriff and all transactions that are not accounted for in another fund.
- **The Communications Fund**—a special revenue fund—is used to account for county-wide dispatch and the proceeds of telephone charges collected for the installation and operation of an Emergency 911 System. The Board of County Commissioners receives the charges and transfers them to the Sheriff's Communications Fund.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

The Sheriff reports the following major governmental funds *(Concluded)*:

■ **Governmental Fund Types (Concluded)**

- **The Inmate Welfare Fund**—a special revenue fund—is used to account for the proceeds from the commissary and pay phone sources that are restricted for inmate benefits.

In addition, the Sheriff also reports the following other fund types:

■ **Governmental Fund Types**

- **The Special Revenue Funds**—special revenue funds account for the proceeds of specific revenue sources that are restricted for specified purposes.

■ **Fiduciary Fund Types**

- **The Agency Funds**—agency funds are fiduciary funds, which are used to account for assets received and held by the Sheriff in the capacity of a trustee or as an agent for individuals, governmental agencies, and other public organizations. Agency funds are custodial in nature and do not involve measurement of changes in financial position.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Grants are the primary revenue source considered to be susceptible to accrual. Expenditures are recognized when the related fund liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid. Agency funds are accounted for using the accrual basis of accounting.

The Sheriff considers receivables collected within 30 days after year-end to be available and recognizes them as revenues of the current year.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

On or before June 1 of each year, the Sheriff submits a tentative budget for the ensuing fiscal year to the Board. The budgets of the general fund and communications fund are then adopted in the same manner as the budget of the Board.

Budgets are legally adopted for the general fund and communications fund, and are on a basis consistent with GAAP. Budgetary control is exercised at the fund level; net expenditures cannot exceed the budgeted appropriation from the Board, as amended. Budgetary changes within each fund can be made at the discretion of the Sheriff. Amendments to increase appropriations must be submitted to the Board. Budgets were not adopted for the remaining special revenue funds.

Capital Assets

Capital assets, which include vehicles and equipment, are recorded as capital outlay expenditures in the governmental funds at the time goods are received and a liability is incurred. These assets are then capitalized at cost in the County-wide statement of net position as part of the basic financial statements of the County. Capital assets acquired under capital leases are capitalized at cost in the County's statement of net position at the time the assets are received. Donated and confiscated capital assets are recorded in the County's statement of net position at fair value at the time received. Capital assets are depreciated using the straight-line method over three to fifteen years. The depreciation expense is recorded in the County-wide statement of activities as part of the basic financial statements of the County.

Compensated Absences

All full-time employees of the Sheriff are entitled to annual vacation and sick leave with pay. The employees are generally allowed to accumulate unused vacation leave up to a maximum of 240 hours and can accumulate sick leave with no limit. Accrued vacation leave is paid at termination. Accrued sick leave is only paid to employees who actually retire, and then only for 25% of the hours accrued up to 480 hours. Vacation and sick leave payments are included in operating costs when payments are made to the employees. The Sheriff does not, nor is he legally required to accumulate financial resources for these unmatured obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds but rather is reported in the basic financial statements of the County.

Appropriations from the Board of County Commissioners and Refund of "Excess Fees"

The County funds the majority of the operating budget of the Sheriff. The payments by the County to fund the operations of the Sheriff are recorded as other financing uses (transfers out) in the basic financial statements of the County, and as other financing sources (transfers in) in the financial statements of the Sheriff.

The Board requires that the excess of the County's appropriations (and other revenues) over expenditures be returned to the Board at the end of the fiscal year in both the general fund and the communications fund. Repayments to the County are recorded as other financing uses (transfers out) in the financial statements of the Sheriff and as other financing sources (transfers in) in the basic financial statements of the County. The amount of undistributed excess appropriations at the end of the fiscal year is reported as amounts due the Board of County Commissioners.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Deferred Inflows

Deferred inflows represent revenues that have been earned, but are not available (because they were received more than 30 days after year-end).

Fund Balances

Fund balance classifications comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components—nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash, or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Sheriff does not have any nonspendable fund balances.
- **Restricted**—This component of fund balances consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., policy) of the Sheriff. These committed amounts cannot be used for any other purpose unless the Sheriff removes or changes the specified use by taking the same type of action (e.g., policy) he employed to constrain those amounts. The Sheriff does not have any committed fund balances.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The Sheriff has not delegated the responsibility to assign fund balances to any individual or body.
- **Unassigned**—This classification is used for: (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the Sheriff's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the Sheriff's policy to use committed resources first, then assigned, and then unassigned as needed.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying financial statements and notes. Actual results could differ from estimates.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Net Pension Liability

The Sheriff participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. Employers participating in cost-sharing multiple-employer defined benefit pension plans are required to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. However, these liabilities would be recorded in government-wide financial statements, which are not required in this special-purpose presentation. As such, only the applicable disclosures have been presented herein. The net pension liability is recorded in the County-wide statement of net position as part of the basic financial statements of the County.

Note 2 - Cash and Cash Equivalents

Deposits

At year-end, the carrying amount of the Sheriff's deposits was \$958,245, (\$930,182 in governmental funds and \$28,063 in agency funds), and the bank balance was \$1,332,813. The Sheriff's bank deposits are held in qualified public depositories (QPDs) pursuant to Chapter 280, Florida Statutes. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

Investments

The Sheriff has not adopted an investment policy and so, by statute, follows the state's guidance set forth in Section 219.075, Florida Statutes regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including County officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act of 1969*, as provided in Florida Statute 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- Direct obligations of the U.S. Treasury.

The Sheriff does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Sheriff had no investments at year-end, or during the year.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 3 - Capital Assets

The tangible personal property used by the Sheriff in its governmental fund operations, is reported as capital assets in the statement of net position in the County's basic financial statements. Upon acquisition, such assets are recorded as expenditures in the governmental fund types of the Sheriff and capitalized at cost in the capital asset accounts of the County. The Sheriff maintains recordkeeping and custodial responsibility for certain tangible capital assets used by his office.

Information on vehicles and equipment used in the operations of the Sheriff's office are presented below:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Capital Asset, Net</u>
Beginning Balance	\$ 5,071,710	\$ (3,771,609)	\$ 1,300,101
Capital Additions	815,288	0	815,288
Depreciation	0	(609,084)	(609,084)
(Disposals)	<u>(453,948)</u>	<u>446,223</u>	<u>(7,725)</u>
Ending Balance	<u>\$ 5,433,050</u>	<u>\$ (3,934,470)</u>	<u>\$ 1,498,580</u>

The Sheriff routinely trades in assets when purchasing new assets. The remaining book value of the assets traded in is added to the value of the new asset. Also, some additions were donated from other entities. Following is a reconciliation of 2016 capital asset additions above to capital outlay on the accompanying statement of revenues, expenditures, and changes in fund balance:

	<u>2016</u>
Capital Outlay	\$ 784,713
Net Book Value of Trade-ins	7,725
Donated Assets	<u>22,850</u>
Total Capital Additions (Above)	<u>\$ 815,288</u>

Note 4 - Vouchers Payable

Vouchers Payable balances in the general and special revenue funds are primarily payable to third party vendors for goods received and services rendered.

Note 5 - Accumulated Compensated Absences

Note 1 describes the policy for accrual and payment of vacation and sick leave. Following is a summary of changes in the compensated absences liability during fiscal year 2016:

Beginning Balance	\$ 390,988
Net Increase (Decrease)	<u>(83,342)</u>
Ending Balance	<u>\$ 307,646</u>

The portion of the above compensated absences liability estimated to be paid during the next year (current portion) is \$30,765.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Employee Retirement Plan

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Sheriff are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The Sheriff's contributions to the FRS Plan totaled \$980,329 for the fiscal year ended September 30, 2016 (all plans).

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership applicable to the Sheriff are as follows:

- *Regular Class*—Members of the Plan who do not qualify for membership in the other classes.
- *Elected County Officer Class*—Members who hold specified elective offices in local government.
- *Special Risk Class*—Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, 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. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Employee Retirement Plan (Continued)

FRS Pension Plan (Continued)

Plan Description. (Concluded) retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Certain members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class Members Initially Enrolled Before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Employee Retirement Plan (Continued)

FRS Pension Plan (Concluded)

Benefits Provided. (Concluded) As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-2016 fiscal year were as follows:

<u>Class</u>	<u>Year Ended June 30, 2016</u>		<u>Year Ended June 30, 2017</u>	
	<u>Percent of Gross Salary</u>		<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
FRS, Regular	3.00	5.56	3.00	5.80
FRS, Elected County Officers	3.00	40.57	3.00	40.75
FRS, Special Risk Regular	3.00	20.34	3.00	20.85
DROP - Applicable to Members from All of the Above Classes	0.00	11.22	0.00	11.33
FRS, Reemployed Retiree	(1)	(1)	(1)	(1)

Notes: (1) Contribution rates are dependent upon retirement class in which reemployed.

The Sheriff's contributions (employer only) to the Plan totaled \$845,358 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities. The FRS operates with a fiscal year ended June 30. FRS Schedules of Employer Allocations were issued in April 2016 for the year ended June 30, 2015. Schedules of Employer Allocations for the year ended June 30, 2016, are not expected to be available until early 2017. As such, required disclosures for the year ended June 30, 2016, are not available.

At September 30, 2015, the Sheriff's proportionate share of the FRS net pension liability was \$4,012,629.

Further details of the FRS Plan net pension liability, annual pension expense, actuarial assumptions, sensitivity analysis, and the other required disclosures can be found in the County-wide annual financial report.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Employee Retirement Plan (Continued)

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended June 30, 2017 and 2016, the contribution rate was 1.66% of payroll respectively, pursuant to Section 112.363, Florida Statutes. The Sheriff contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Sheriff's contributions to the HIS Plan totaled \$85,337 for the fiscal year ended September 30, 2016.

Pension Liabilities. The HIS operates with a fiscal year ended June 30. FRS Schedules of Employer Allocations were issued in April 2016 for the year ended June 30, 2015. Schedules of Employer Allocations for the year ended June 30, 2015, are not expected to be available until early 2017. As such, required disclosures for the year ended June 30, 2016, are not available.

At September 30, 2015, the Sheriff's proportionate share of the HIS net pension liability was \$1,654,495.

Further details of the HIS Plan net pension liability, annual pension expense, actuarial assumptions, sensitivity analysis, and the other required disclosures can be found in the County-wide annual financial report.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Employee Retirement Plan (Continued)

FRS – Defined Contribution Pension Plan

The Sheriff contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member’s account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Sheriff employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment members’ accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Special Risk Regular	14.00

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. If an accumulated benefit obligation for service credit originally earned under the Plan is transferred to the Investment Plan, the member must have the years of service required for Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll through June 30, 2016, and 0.06% of payroll from July 1, 2016 to September 30, 2016, and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Sheriff.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Employee Retirement Plan (Concluded)

FRS – Defined Contribution Pension Plan (Concluded)

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Sheriff's contributions to the Investment Plan totaled \$49,634 for the fiscal year ended September 30, 2016.

Note 7 - Postemployment Benefits Other than Pensions

The Board offers postemployment health care benefits to all retired employees of the Sheriff's office and their dependents. Participating retirees are required to reimburse the Board for 100% of the premium cost, which is netted against the premium payment, so that no net expense is initially recorded in the Board's financial statements. However, these retirees are receiving an "implicit subsidy" because the premium is a group rate, which includes active, lower cost employees.

This implicit subsidy has a cost, which under GAAP, is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Sheriff's office. Accordingly, these calculations and disclosures will be found in the County-wide annual financial report.

Note 8 - Risk Management

The Sheriff's office is covered for workers' compensation and employee medical risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Sheriff also participates in the Florida Sheriff's Self-Insurance Program for risks related to professional liability and automobile risks. The funding agreements provide that each fund will be self-sustaining through member premiums and that the Sheriff's liability will reimburse through commercial companies. Aggregate coverage provided by the liability fund is \$10,000,000 for professional liability and \$10,000,000 for public official's liability. Coverage limits for automobile risks are \$300,000 per accident for bodily injury and \$100,000 per accident for property damage. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature.

Additionally, the Sheriff has obtained coverage for inmate medical claims up to \$250,000.

During the year ended September 30, 2016, the Sheriff paid \$1,062,947 to the Board for employee medical coverage and \$103,454 for workers' compensation.

DESOTO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Concluded)

Note 9 - Litigation

The Sheriff is periodically involved as a defendant or plaintiff in certain litigation and claims arising from the ordinary course of operations. It is at least possible that the ultimate liability for known and unknown claims existing at the balance sheet date may be material. However, it is presumed any significant judgments against the Sheriff would be settled by the Board. Accordingly, no contingent liabilities have been accrued in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY, FLORIDA
SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 96,196	\$ 118,785	\$ 122,562	\$ 3,777
Charges for Services	28,500	28,500	28,500	0
Interest Income	0	0	1,328	1,328
Miscellaneous Income	0	0	20,305	20,305
Total Revenues	<u>124,696</u>	<u>147,285</u>	<u>172,695</u>	<u>25,410</u>
Expenditures				
Current:				
Personnel Services	7,084,412	7,084,412	6,871,888	212,524
Operating Expenditures	2,570,000	2,691,569	2,352,546	339,023
Capital Outlay	297,000	333,382	708,910	(375,528)
Reserves	10,000	10,000	0	10,000
(Total Expenditures)	<u>(9,961,412)</u>	<u>(10,119,363)</u>	<u>(9,933,344)</u>	<u>186,019</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(9,836,716)</u>	<u>(9,972,078)</u>	<u>(9,760,649)</u>	<u>211,429</u>
Other Financing Sources (Uses)				
Transfers from Board of County Commissioners:				
Primary Allocation	9,836,716	9,920,530	9,920,530	0
Supplemental Funding	0	51,548	51,548	0
Transfers to Board of County Commissioners	0	0	(211,429)	(211,429)
Total Other Financing Sources (Uses)	<u>9,836,716</u>	<u>9,972,078</u>	<u>9,760,649</u>	<u>(211,429)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

DESOTO COUNTY, FLORIDA
SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNICATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 10,903	\$ 10,903	\$ 10,587	\$ (316)
Total Revenues	<u>10,903</u>	<u>10,903</u>	<u>10,587</u>	<u>(316)</u>
Expenditures				
Current:				
Public Safety - Communications:				
Personnel Services	758,898	758,898	686,974	71,924
Operating Expenditures	107,643	107,643	82,159	25,484
Capital Outlay	30,000	30,000	28,853	1,147
(Total Expenditures)	<u>(896,541)</u>	<u>(896,541)</u>	<u>(797,986)</u>	<u>98,555</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(885,638)</u>	<u>(885,638)</u>	<u>(787,399)</u>	<u>98,239</u>
Other Financing Sources (Uses)				
Transfers from Board of County Commissioners	885,638	885,638	885,638	0
Transfers to Board of County Commissioners	0	0	(98,239)	(98,239)
Total Other Financing Sources (Uses)	<u>885,638</u>	<u>885,638</u>	<u>787,399</u>	<u>(98,239)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

DESOTO COUNTY, FLORIDA
SHERIFF
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

Note 1 - Budgetary Information

Budgets are legally adopted for the general fund and communications fund, and are on a basis consistent with GAAP. Budgetary control is exercised at the fund level; net expenditures cannot exceed the budgeted appropriation from the Board, as amended. Budgetary changes within each fund can be made at the discretion of the Sheriff. Amendments to increase appropriations must be submitted to the Board.

The General fund and Communications fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. The Inmate Welfare fund and all other special revenue fund expenditures are restricted by statute; therefore, these budgets are not approved by the Board.

OTHER FINANCIAL INFORMATION

**DESOTO COUNTY, FLORIDA
SHERIFF
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Volunteer Extra Duty Fund	Education Fund	Total Nonmajor Governmental Funds
Assets			
Cash	\$ 4,414	\$ 17,607	\$ 22,021
Due from Individuals and Businesses	1,010	166	1,176
Total Assets	<u>5,424</u>	<u>17,773</u>	<u>23,197</u>
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities			
Accrued Liabilities	523	0	523
Total Liabilities	<u>523</u>	<u>0</u>	<u>523</u>
Deferred Inflows of Resources			
Unavailable Grant Revenue	105	0	105
Fund Balances			
Restricted for:			
Voluntary Extra Duty	4,796	0	4,796
Education and Training	0	17,773	17,773
Total Fund Balances	<u>4,796</u>	<u>17,773</u>	<u>22,569</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 5,424</u>	<u>\$ 17,773</u>	<u>\$ 23,197</u>

DESOTO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Volunteer Extra Duty Fund	Education Fund	Total Nonmajor Governmental Funds
Revenues			
Charges for Service	\$ 24,455	\$ 2,999	\$ 27,454
Interest Income	0	17	17
Total Revenues	<u>24,455</u>	<u>3,016</u>	<u>27,471</u>
Expenditures			
Current:			
Public Safety - Law Enforcement:			
Personnel Services	23,309	0	23,309
Operating Expenditures	420	747	1,167
(Total Expenditures)	<u>(23,729)</u>	<u>(747)</u>	<u>(24,476)</u>
Net Change in Fund Balance	726	2,269	2,995
Fund Balances, Beginning of Year	<u>4,070</u>	<u>15,504</u>	<u>19,574</u>
Fund Balances, End of Year	<u>\$ 4,796</u>	<u>\$ 17,773</u>	<u>\$ 22,569</u>

**DESOTO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF
FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2016**

	Cash Bond Fund	Individual Depositors Fund	Other Suspense Fund	Inmate Trust Fund	Total Agency Funds
Assets					
Cash	\$ 1	\$ 1,023	\$ 2,043	\$ 24,996	\$ 28,063
Due from Individuals and Businesses	0	0	1,591	0	1,591
Total Assets	<u>1</u>	<u>1,023</u>	<u>3,634</u>	<u>24,996</u>	<u>29,654</u>
Liabilities					
Due to Other Governments	1	1,023	3,729	0	4,753
Due to Individuals and Businesses	0	0	(95)	24,996	24,901
Total Liabilities	<u>\$ 1</u>	<u>\$ 1,023</u>	<u>\$ 3,634</u>	<u>\$ 24,996</u>	<u>\$ 29,654</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable William P. Wise
Sheriff
DeSoto County, Florida

We have audited, 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, the financial statements of each major fund and the aggregate remaining fund information of the DeSoto County, Florida Sheriff (the Sheriff) as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2016.

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 circumstance 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.

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Honorable William P. Wise
Sheriff
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(*Concluded*)**

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.


December 20, 2016
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE, SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable William P. Wise
Sheriff
DeSoto County, Florida

We have examined the DeSoto County, Florida Sheriff's (the Sheriff) compliance with Florida Statute, Section 218.415 during the fiscal year ended September 30, 2016. Management is responsible for the Sheriff's compliance with those requirements. Our responsibility is to express an opinion on the Sheriff's compliance based on our examination.

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

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

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


December 20, 2016
Sarasota, Florida

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MANAGEMENT LETTER

Honorable William P. Wise
Sheriff
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the DeSoto County, Florida Sheriff (the Sheriff) as of and for the year ended September 30, 2016, and have issued our report thereon dated December 20, 2016.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Compliance with Florida Statute, Section 218.415 – Investments of Public Funds. Disclosures in those reports, which are dated December 20, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name of 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. In that regard, the Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Sheriff.

Other Matters

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

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Honorable William P. Wise
Sheriff
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Other Matters (Concluded)

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

Purpose of the Letter

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Durvis, Gray and Company, LLP

December 20, 2016
Sarasota, Florida

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TAX COLLECTOR
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**TAX COLLECTOR
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

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INDEPENDENT AUDITORS' REPORT

Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 the general fund (major fund) and the aggregate remaining fund information of the Tax Collector, as of September 30, 2016, and the changes in financial position of the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of Matter - Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position, changes in financial position, and budgetary comparisons of each major fund and the aggregate remaining fund information, where applicable, only for that portion of the major funds, and the aggregate remaining fund information, of DeSoto County, Florida, that is attributable to the Tax Collector. They do not purport to, and do not, present fairly the financial position of DeSoto County, Florida, as of September 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Tax Collector's internal control over financial reporting and compliance.


March 20, 2017
Sarasota, Florida

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
BALANCE SHEET
GENERAL FUND (MAJOR FUND)
SEPTEMBER 30, 2016**

Assets	
Cash and Cash Equivalents	\$ 182,911
Due from Other Governments	18,630
Total Assets	<u>201,541</u>
Liabilities, Deferred Inflows, and Fund Balance	
Liabilities	
Due to Board of County Commissioners	173,499
Due to Other Taxing Agencies	7,599
Total Liabilities	<u>181,098</u>
Deferred Inflows of Resources	
Unavailable Revenue	<u>20,443</u>
Fund Balance	<u>0</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 201,541</u>

See accompanying notes.

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Revenues

Commissions and Fees:					
Board of County Commissioners		\$	646,806		
Other Taxing Districts			342,542		
Interest			201		
Miscellaneous			1,275		
Total Revenues			990,824		

Expenditures

Current:					
General Government:					
Personnel Services			682,571		
Operating Expenditures			127,156		
(Total Expenditures)			(809,727)		

Excess of Revenues Over Expenditures	181,097
---	---------

Other Financing (Uses) Sources

Distribution of Excess Commissions to DeSoto County, Florida, Board of County Commissioners					
			(173,499)		
Distribution of Excess Commissions to Other Taxing Districts			(7,598)		
Total Other Financing (Uses) Sources			(181,097)		

Net Change in Fund Balance	0
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Fund Balance, Beginning of Year	0
--	---

Fund Balance, End of Year	\$ 0
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See accompanying notes.

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2016**

Assets

Cash and Cash Equivalents	\$ 501,321
Accounts Receivable	<u>57,459</u>
Total Assets	<u><u>558,780</u></u>

Liabilities

Due to Other Governments	501,479
Escrow Deposits	<u>57,301</u>
Total Liabilities	<u><u>\$ 558,780</u></u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of the accompanying financial statements.

Reporting Entity

DeSoto County, Florida (the County), is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of Florida.

The DeSoto County, Florida Tax Collector (the Tax Collector), is an elected constitutional officer of the County as provided for by the Constitution of the State of Florida. Pursuant to the Florida Statutes, the Tax Collector's budget is submitted annually to the Florida Department of Revenue for approval and a copy is forwarded to the Board for coordination with the Board's budget. Any excess of appropriations received from the Board over actual expenditures for the fiscal year is required to be returned to the Board within 31 days after the close of the fiscal year.

Commissions and fees earned by the Tax Collector are billed periodically to the Board and other governmental agencies as provided in Florida Statutes. By statute, commissions and fees attributable to the school board are paid by the Board.

For financial reporting purposes, the Tax Collector is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Tax Collector's office, but are not intended to be a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General—Local Governmental Entity Audits*.

The financial transactions of the Tax Collector are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprise its assets, liabilities, deferred inflows, fund equity, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures of each fund category) for the determination of major funds. Major funds are reported separately in the basic financial statements of the Tax Collector.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

The Tax Collector reports the following major governmental fund:

- **The General Fund**—a governmental fund, is used to account for all revenues and expenditures applicable to the general operations of the Tax Collector that are not required either legally or by GAAP to be accounted for in another fund.

In addition, the Tax Collector also reports the following other fund type:

- **The Agency Fund**—fiduciary funds, are custodial in nature and do not involve measurement of changes in financial position (assets equal liabilities). The agency fund is used primarily for the following:

- To account for the collection of certain state taxes and fees, including motor vehicle registration fees and the subsequent remittance of those fees (less commission) to the State of Florida.
- To account for the collection and distribution of local taxes and licenses, including real and personal property taxes.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and also refers to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid. Agency funds are accounted for using the accrual basis of accounting.

Charges for services on the collection of property taxes are recognized as revenue in the fiscal year for which taxes are levied, provided they are collected within 30 days after the end of the fiscal year (if not, they are deferred). Certain other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received. Investment revenues are recorded as earned.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus (Concluded)

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Budgetary Requirement

Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the Florida Statutes.

A budget is legally adopted for the general fund and is on a basis consistent with GAAP. Budgetary control is at the expenditure classification level (personal services, operating expenditures, and capital outlay). Budgetary changes within expenditure classification are made at the discretion of the Tax Collector. Amendments between expenditure classifications must be submitted to the State of Florida Department of Revenue.

Property Tax Collections

Chapter 197, Florida Statutes, governs property tax collection.

Current Taxes

All property taxes become due and payable on November 1, and are delinquent on April 1 of the following year. Discounts of 4%, 3%, 2%, and 1% are allowed for early payment in November through February, respectively.

Unpaid Taxes—Sale of Tax Certificates

The Tax Collector advertises, as required by Florida Statutes, then sells tax certificates on all real property for unpaid taxes. Certificates not purchased are issued to the County. Any person owning real property upon which a tax certificate has been sold may reacquire the real property by paying the Tax Collector the face amount of the tax certificate plus interest and other costs.

Tax Deeds

The owner of a tax certificate may, after two years when the taxes have been delinquent (after April 1), file an application for tax deed sale. The County, as a certificate owner, may exercise similar procedures two years after taxes have been delinquent (after April 1). Tax deeds are issued to the highest bidder for the property, which is sold at public auction. The Clerk of the Circuit Court administers these sales.

Refund of "Excess Fees"

Florida Statutes provide that the excess of the Tax Collector's fee revenue over expenditures is to be distributed to each governmental agency in the same proportion as the fees paid by each governmental agency bear to total fee income of the office. The amount of undistributed excess fees at the end of the fiscal year is reported as amounts due to the County and other governmental agencies.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Refund of "Excess Fees" (Concluded)

The County pays a major portion of the fees collected by the Tax Collector. The payments by the County are recorded as operating expenditures in the basic financial statements of the County, and as charges for services revenue in the financial statements of the Tax Collector. Repayments to the County are recorded as other financing uses (transfers out) in the financial statements of the Tax Collector and as other financing sources (transfers in) in the basic financial statements of the County.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Deferred Inflows/Unearned Revenue

Deferred inflows represent revenues that have been earned, but are not available (because they were received more than 30 days after year-end). Unearned revenue represents the portion of biennial service fees attributable to future years.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying financial statements. Actual results could differ from estimates.

Net Pension Liability

The Tax Collector participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. Employers participating in cost-sharing multiple-employer defined benefit pension plans report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. However, these liabilities would be recorded in government-wide financial statements, which are not required in this special-purpose presentation. As such, only the applicable disclosures have been presented herein. The net pension liability is recorded in the County-wide statement of net position as part of the basic financial statements of the County.

Note 2 - Cash and Investments

Cash

At year-end, the carrying amount of the Tax Collector's deposits was \$680,132 (\$178,811 in governmental funds and \$501,321 in agency funds) and the bank balance was \$868,439. All of the Tax Collector's public deposits are held in qualified public depositories (QPDs) pursuant to Florida Statutes, Chapter 280. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 2 - Cash and Investments (Concluded)

Cash (Concluded)

In addition to cash deposits, the Tax Collector maintains cash on hand for the purpose of making change on transactions. At September 30, 2016, the Tax Collector held \$4,100 in cash on hand.

Investments

The Tax Collector has not adopted an investment policy and so, by statute, follows the state's guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including County officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act of 1969*, as provided in Florida Statute 163.01.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories.
- d. Direct obligations of the United States Treasury.

The Tax Collector does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Tax Collector had no investments at year-end or during the year.

Note 3 - Capital Assets

The tangible personal property used by the Tax Collector in its governmental fund operations is reported as capital assets in the statement of net position in the County's basic financial statements. Upon acquisition, such assets are recorded as expenditures in the general fund of the Tax Collector and capitalized at cost in the capital asset accounts of the County. The Tax Collector maintains custodial responsibility for the capital assets used by her office.

Note 4 - Accumulated Compensated Absences

The amount of vested accumulated compensated absences payable under the Tax Collector's vacation policy, is reported as a liability in the statement of net position in the County's basic financial statements. That liability includes earned but unused vacation, as well as FICA taxes related thereto. Vacation time is accrued based on length of employment. After six months of service, vacation time is paid out hour for hour upon separation from employment. Nonvested amounts are not considered to be significant.

The change in accumulated compensated absences during the year is as follows:

Beginning Balance	\$ 5,132
Net Increase	1,819
Ending Balance	\$ 6,951

The portion of the compensated absences liability estimated to be paid during the next year (current portion) is \$695.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 5 - Employee Retirement Plan

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Tax Collector are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The Tax Collector's contributions to the FRS plan totaled \$74,972 for the fiscal year ended September 30, 2016 (all plans).

FRS Pension Plan

Plan Description. The FRS Pension Plan (the Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership applicable to the Tax Collector are as follows:

- *Regular Class*—Members of the FRS who do not qualify for membership in the other class.
- *Elected County Officer Class*—Members who hold specified elective offices in local government.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Continued)

FRS Pension Plan (Continued)

Plan Description. (Concluded)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class Members Initially Enrolled Before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Continued)

FRS Pension Plan (Concluded)

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-2016 fiscal year were as follows:

Class	Year Ended June 30, 2016		Year Ended June 30, 2017	
	Percent of Gross Salary		Percent of Gross Salary	
	Employee	Employer	Employee	Employer
FRS, Regular	3.00	5.56	3.00	5.80
FRS, Elected County Officers	3.00	40.57	3.00	40.75
DROP - Applicable to Members from All of the Above Classes	0.00	11.22	0.00	11.33

The Tax Collector contributions (employer only) to the Plan totaled \$65,210 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Further details of the FRS Plan net pension liability, deferred inflows and outflows, annual pension expense, actuarial assumptions, sensitivity analysis, and other required disclosures can be found in the County-wide annual financial report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (the HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 5 - Employee Retirement Plan (Continued)

HIS Pension Plan (Concluded)

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended June 30, 2017 and 2016, the contribution rates were 1.66% of payroll respectively, pursuant to Section 112.363, Florida Statutes. The Tax Collector contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Tax Collector's contributions to the HIS Plan totaled \$7,697 for the fiscal year ended September 30, 2016.

Further details of HIS Plan net pension liability, deferred inflows and outflows, annual pension expense, actuarial assumptions, sensitivity analysis, and other required disclosures can be found in the County-wide annual financial report.

FRS – Defined Contribution Pension Plan

The Tax Collector contributes to the FRS Investment Plan (the Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Tax Collector employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment members' accounts during the 2015-16 fiscal year were as follows:

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Concluded)

FRS – Defined Contribution Pension Plan (Concluded)

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34

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. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Tax Collector.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Tax Collector’s contributions (employer only) to the Investment Plan totaled \$2,064 for the fiscal year ended September 30, 2016.

Note 6 - Postemployment Benefits Other Than Pensions

The Board offers postemployment health care benefits to all retired employees of the Tax Collector’s office and their dependents. Participating retirees are required to reimburse the Board for 100% of the premium cost, which is netted against the premium payment, so that no net expense is initially recorded in the Board’s financial statements. However, these retirees are receiving an “implicit subsidy” because the premium is a group rate, which includes active, lower cost employees.

DESOTO COUNTY, FLORIDA
TAX COLLECTOR
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Concluded)

Note 6 - Postemployment Benefits Other Than Pensions (Concluded)

This implicit subsidy has a cost, which under GAAP is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Tax Collector's office. Accordingly, these calculations and disclosures will be found in the County-wide annual financial report.

Note 7 - Risk Management

The Tax Collector's office is covered for employee medical, workers' compensation, and liability and casualty risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Tax Collector is also protected under sovereign immunity up to a maximum of \$200,000 per person/\$300,000 per occurrence for claims against the Tax Collector involving negligence, including automobile and general liability. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature. During the year ended September 30, 2016, the Tax Collector paid \$111,712 to the Board for insurance coverage (medical and life insurance).

Note 8 - Litigation

From time-to-time, the office of the Tax Collector is involved as a defendant in certain litigation and claims arising from the ordinary course of operations. In the opinion of legal counsel, the range of potential liabilities will not materially affect the operations of the Tax Collector's office or the combined financial position of the County, which would be required to fund any claim payments.

REQUIRED SUPPLEMENTARY INFORMATION

**DESOTO COUNTY, FLORIDA
TAX COLLECTOR
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Commissions and Fees:				
Board of County Commissioners	\$ 623,220	\$ 623,220	\$ 646,806	\$ 23,586
Other Taxing Districts	326,151	326,151	342,542	16,391
Interest	160	160	201	41
Miscellaneous	1,000	1,000	1,275	275
Total Revenues	<u>950,531</u>	<u>950,531</u>	<u>990,824</u>	<u>40,293</u>
Expenditures				
Current:				
General Government:				
Personnel Services	685,920	685,920	682,571	3,349
Operating Expenditures	167,585	167,585	127,156	40,429
(Total Expenditures)	<u>(853,505)</u>	<u>(853,505)</u>	<u>(809,727)</u>	<u>43,778</u>
Excess of Revenues Over Expenditures	<u>97,026</u>	<u>97,026</u>	<u>181,097</u>	<u>84,071</u>
Other Financing Sources (Uses)				
Distribution of Excess Commissions to DeSoto County, Florida, Board of County Commissioners	(97,026)	(97,026)	(173,499)	(76,473)
Distribution of Excess Commissions to Other Taxing Districts	0	0	(7,598)	(7,598)
Total Other Financing Sources (Uses)	<u>(97,026)</u>	<u>(97,026)</u>	<u>(181,097)</u>	<u>(84,071)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

We have audited, 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, the financial statements of the general fund and the aggregate remaining fund information of the DeSoto County, Florida Tax Collector (the Tax Collector), as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tax Collector'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 Tax Collector's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector'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.

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Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector'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.



March 20, 2017
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

We have examined the DeSoto County, Florida Tax Collector's (the Tax Collector), compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2016. Management is responsible for the Tax Collector's compliance with those requirements. Our responsibility is to express an opinion on the Tax Collector's compliance based on our examination.

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

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

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


March 20, 2017
Sarasota, Florida

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MANAGEMENT LETTER

Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund and the aggregate remaining fund information of the DeSoto County, Florida Tax Collector (the Tax Collector), as of and for the year ended September 30, 2016, and have issued our report thereon dated March 20, 2017.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Compliance with Florida Statute Section 218.415 – Investments of Public Funds. Disclosures in those reports, which are dated March 20, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. In that regard, the Tax Collector was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Tax Collector does not have any component units.

Other Matters

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

Certified Public Accountants

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Honorable Kathryn J. Hill
Tax Collector
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Other Matters (Concluded)

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Tax Collector, her management team, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



March 20, 2017
Sarasota, Florida

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**PROPERTY APPRAISER
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**PROPERTY APPRAISER
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

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INDEPENDENT AUDITORS' REPORT

Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the general fund (major fund) of the DeSoto County, Florida Property Appraiser (the Property Appraiser), as of and for the year ended September 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund (major fund) of the Property Appraiser as of September 30, 2016, and the changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of Matter – Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position, changes in financial position, and budgetary comparisons of the general fund (major fund), only for that portion of the general fund (major fund) of DeSoto County, Florida, that is attributable to the Property Appraiser. They do not purport to, and do not, present fairly the financial position of DeSoto County, Florida, as of September 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2017, on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Property Appraiser's internal control over financial reporting and compliance.



March 6, 2017
Sarasota, Florida

**DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
BALANCE SHEET
GENERAL FUND (MAJOR FUND)
SEPTEMBER 30, 2016**

Assets	
Cash	\$ 147,520
Total Assets	<u>147,520</u>
 Liabilities and Fund Balance	
Liabilities	
Accounts Payable and Accrued Expenses	4,200
Due to DeSoto County, Florida, Board of County Commissioners	140,416
Due to Other Governments	<u>2,904</u>
Total Liabilities	<u>147,520</u>
 Fund Balance	 <u>0</u>
 Total Liabilities and Fund Balance	 <u>\$ 147,520</u>

See accompanying notes.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenues

Charges for Services:	
DeSoto County, Florida, Board of County Commissioners	\$ 941,886
Other Taxing Agencies	19,476
Interest	161
Miscellaneous	2,173
Total Revenues	963,696

Expenditures

Current:	
General Government:	
Personnel Services	655,077
Operating Expenditures	129,906
Capital Outlay	35,393
(Total Expenditures)	(820,376)

Excess of Revenues Over Expenditures	143,320
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Other Financing Sources (Uses)

Distribution of Excess Appropriations to DeSoto County, Florida, Board of County Commissioners	(140,416)
Distribution of Excess Appropriations to Other Taxing Districts	(2,904)
Total Other Financing Sources (Uses)	(143,320)

Net Change in Fund Balance	0
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Fund Balance, Beginning of Year	0
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Fund Balance, End of Year	\$ 0
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See accompanying notes.

**DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements.

Reporting Entity

DeSoto County, Florida (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and managed by an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of the State of Florida.

The DeSoto County, Florida Property Appraiser (the Property Appraiser), is an elected constitutional officer of the County as provided for by the Constitution of the State of Florida. Pursuant to the Florida Statutes, the Property Appraiser's budget is submitted annually to the Florida Department of Revenue, Division of Ad Valorem Tax, for approval, and a copy is forwarded to the Board.

Fees earned by the Property Appraiser (equal to the amount of the amended budget) are billed quarterly to the Board and other governmental agencies in proportion to prior year taxes levied, or in the case of non-ad valorem districts, by other reasonable methods. By statute, fees attributable to municipalities and school boards are paid by the Board.

For financial statement reporting purposes, the Property Appraiser is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Property Appraiser's office, but are not a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General - Local Governmental Entity Audits*.

The financial transactions of the Property Appraiser are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures of each fund category) for the determination of major funds. Major funds are reported separately in the basic financial statements of the Property Appraiser.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

The Property Appraiser reports the following major governmental fund:

- **The General Fund**—a governmental fund, is used to account for all revenues and expenditures applicable to the general operations of the Property Appraiser.

The Property Appraiser utilizes no other fund types.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, and also refers to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid.

Charges for services on the assessment of property are recognized as revenue in the fiscal year earned, provided they are collected within 30 days after the end of the fiscal year (if not, they are deferred). Certain other miscellaneous revenues are recorded as revenues when received because they are generally not measurable until actually received. Interest income is recorded as earned.

The Property Appraiser considers receivables collected within 30 days after year-end to be available and recognizes them as revenues of the current year.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. The governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Budgetary Requirement

On or before June 1 of each year, the Property Appraiser submits a tentative budget for the ensuing fiscal year to the Florida Department of Revenue, and a copy is forwarded to the Board.

A budget is legally adopted only for the general fund and is on a basis consistent with GAAP. Budgetary control is at the expenditure classification level (personal services, operating expenditures, and capital outlay).

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Budgetary Requirement (Concluded)

Budgetary changes within expenditure classification are made at the discretion of the Property Appraiser. Amendments between expenditure classifications must be submitted to the State of Florida Department of Revenue.

Refund of "Excess Fees"

Florida Statutes provide that the excess of the Property Appraiser's fee revenue over expenditures is to be distributed to each governmental agency in the same proportion as the fees paid by each governmental agency. The amount of undistributed excess fees at the end of the fiscal year is reported as amounts due to the Board and other governmental agencies.

The County pays a major portion of the fees collected by the Property Appraiser. The payments by the County are recorded as operating expenditures in the basic financial statements of the County, and as charges for services revenues in the financial statements of the Constitutional Officer. Repayments to the County are recorded as other financing uses (transfers out) in the financial statements of the Constitutional Officer and as other financing sources (transfers in) in the basic financial statements of the County.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Deferred Inflows/Unearned Revenue

Deferred inflows represent revenues that have been earned, but are not available (because they were received more than 30 days after year-end). Unearned revenue represents revenue attributable to future years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.

Net Pension Liability

The Property Appraiser participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. Employers participating in cost-sharing multiple-employer defined benefit pension plans report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. However, these liabilities would be recorded in government-wide financial statements, which are not required in this special-purpose presentation. As such, only the applicable disclosures have been presented herein. The net pension liability is recorded in the County-wide statement of net position as part of the basic financial statements of the County.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 2 - Cash and Investments

Cash

At year-end, the carrying amount of the Property Appraiser's deposits was \$147,420 and the bank balance was \$157,289. All of the Property Appraiser's public deposits are held in qualified public depositories (QPDs) pursuant to Florida Statutes, Chapter 280. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

In addition to cash deposits, the Property Appraiser maintains cash on hand for the purpose of making change on transactions. At September 30, 2016, the Property Appraiser held \$100 in cash on hand.

Investments

The Property Appraiser has not adopted an investment policy and so, by statute, follows the state's guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. That Section requires local governments without written investment policies, including County officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*, as provided in Florida Statute 163.01.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories.
- d. Direct obligations of the United States Treasury.

The Property Appraiser does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Property Appraiser had no investments at year-end, or during the year.

Note 3 - Capital Assets

The tangible personal property used by the Property Appraiser is reported as capital assets in the statement of net position in the County's basic financial statements. Upon acquisition, such assets are recorded as expenditures in the general fund of the Property Appraiser and capitalized at cost in the capital asset accounts of the County. The Property Appraiser maintains custodial responsibility for the capital assets used by his office.

**DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 4 - Accumulated Compensated Absences

The amount of vested accumulated compensated absences payable under the Property Appraiser’s annual leave and sick leave policy is reported as a liability in the statement of net position in the County’s basic financial statements. That liability includes earned but unused vacation, as well as payroll taxes related thereto. The change in accumulated compensated absences during the year is as follows:

Beginning Balance	\$ 40,547
Net Decrease	<u>(280)</u>
Ending Balance	<u><u>\$ 40,267</u></u>

The amount recorded represents vested annual vacation to employees in varying amounts. Annual vacation is accrued based on length of employment. After six months of service, annual vacation is paid out hour for hour upon separation from employment. The portion of the compensated absences liability estimated to be paid during the next year (current portion) is \$4,027.

Note 5 - Employee Retirement Plan

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Property Appraiser are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services’ web site (www.dms.myflorida.com).

The Property Appraiser’s contributions to the FRS Plan totaled \$39,191 for the fiscal year ended September 30, 2016 (all plans).

**DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Continued)

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general class of membership applicable to the Property Appraiser is as follows:

- *Regular Class*—Members of the Plan who do not qualify for membership in the other classes.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned:

**DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Continued)

FRS Pension Plan (Continued)

Benefits Provided. (Concluded)

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class Members Initially Enrolled Before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-2016 fiscal year were as follows:

<u>Class</u>	<u>Year Ended June 30, 2016</u>		<u>Year Ended June 30, 2017</u>	
	<u>Percent of Gross Salary</u>		<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
FRS, Regular	3.00	5.56	3.00	5.80

The Property Appraiser's contributions (employer only) to the Plan totaled \$31,384 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 5 - Employee Retirement Plan (Continued)

FRS Pension Plan (Concluded)

Contributions. (Concluded)

Further details of the FRS Plan net pension liability, deferred inflows and outflows, annual pension expense, actuarial assumptions, sensitivity analysis, and the other required disclosures can be found in the County-wide annual financial report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended June 30, 2017 and 2016, the contribution rates were 1.66% of payroll, respectively, pursuant to Section 112.363, Florida Statutes. The Property Appraiser contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Property Appraiser's contributions to the HIS Plan totaled \$7,661 for the fiscal year ended September 30, 2016.

Further details of the HIS Plan net pension liability, deferred inflows and outflows, annual pension expense, actuarial assumptions, sensitivity analysis, and the other required disclosures can be found in the County-wide annual financial report.

FRS – Defined Contribution Pension Plan

The Property Appraiser contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. (In 2015, no employees had elected to directly participate in the Investment Plan). The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

**DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Concluded)

FRS – Defined Contribution Pension Plan (Concluded)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Property Appraiser employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment members' accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30

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. If an accumulated benefit obligation for service credit originally earned under the Plan is transferred to the Investment Plan, the member must have the years of service required for Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Property Appraiser.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Property Appraiser's contributions to the Investment Plan totaled \$146 for the fiscal year ended September 30, 2016.

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Concluded)

Note 6 - Postemployment Benefits Other than Pensions

The Board offers postemployment health care benefits to all retired employees of the Property Appraiser's office and their dependents. Participating retirees are required to reimburse the Board for 100% of the premium cost, which is netted against the premium payment, so that no net expense is initially recorded in the Board's financial statements. However, these retirees are receiving an "implicit subsidy" because the premium is a group rate, which includes active, lower cost employees.

This implicit subsidy has a cost, which under GAAP is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Property Appraiser's office. Accordingly, these calculations and disclosures will be found in the County-wide annual financial report.

Note 7 - Risk Management

The Property Appraiser's Office is covered for employee medical, workers' compensation, liability, and casualty risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Property Appraiser is also protected under sovereign immunity up to a maximum of \$200,000 per person/\$300,000 per occurrence for claims against the Property Appraiser involving negligence, including automobile and general liability. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature. During the year ended September 30, 2016, the Property Appraiser paid \$91,320 to the Board for insurance coverage (life and employee medical only).

Note 8 - Litigation

From time-to-time, there are lawsuits pending against the Property Appraiser. These usually deal with the valuation and assessment of real properties in the County and the denial of exemptions. The Property Appraiser and legal counsel are of the opinion that the outcome of these lawsuits will not have a material adverse effect on the financial position of the Property Appraiser.

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY, FLORIDA
PROPERTY APPRAISER
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services:				
DeSoto County, Florida, Board of County				
Commissioners	\$ 899,216	\$ 941,886	\$ 941,886	\$ 0
Other Taxing Agencies	61,986	19,476	19,476	0
Interest Income	0	0	161	161
Miscellaneous	0	0	2,173	2,173
Total Revenues	<u>961,202</u>	<u>961,362</u>	<u>963,696</u>	<u>2,334</u>
Expenditures				
Current:				
General Government:				
Personnel Services	743,259	743,419	655,077	88,342
Operating Expenditures	157,943	157,943	129,906	28,037
Capital Outlay	0	35,430	35,393	37
Reserve	60,000	24,570	0	24,570
(Total Expenditures)	<u>(961,202)</u>	<u>(961,362)</u>	<u>(820,376)</u>	<u>140,986</u>
Excess of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>143,320</u>	<u>143,320</u>
Other Financing Sources (Uses)				
Distribution of Excess Appropriations to				
DeSoto County, Florida, Board of County				
Commissioners	0	0	(140,416)	(140,416)
Distribution of Excess Appropriations to				
Other Taxing Districts	0	0	(2,904)	(2,904)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(143,320)</u>	<u>(143,320)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

We have audited, 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, the financial statements of the general fund (major fund) of the DeSoto County, Florida Property Appraiser (the Property Appraiser) as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2017.

Internal Control over Financial Reporting

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

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Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property Appraiser'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.



March 6, 2017
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

We have examined the DeSoto County, Florida Property Appraiser's (the Property Appraiser) compliance with Section 218.415, Florida Statutes during the fiscal year ended September 30, 2016. Management is responsible for the Property Appraiser's compliance with those requirements. Our responsibility is to express an opinion on the Property Appraiser's compliance based on our examination.

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

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

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

Purvis, Gray and Company, LLP

March 6, 2017
Sarasota, Florida

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MANAGEMENT LETTER

Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund (major fund) of the DeSoto County, Florida Property Appraiser (the Property Appraiser), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 6, 2017.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Compliance with Florida Statute Section 218.415 – Investments of Public Funds. Disclosures in those reports, which are dated March 6, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. In that regard, the Property Appraiser was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Property Appraiser does not have any component units.

Other Matters

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

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Honorable David A. Williams, CFA
Property Appraiser
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Other Matters (Concluded)

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Property Appraiser, its management team, and the Board of County Commissioners of DeSoto County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Durvis, Gray and Company, LLP

March 6, 2017
Sarasota, Florida

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**SUPERVISOR OF ELECTIONS
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**SUPERVISOR OF ELECTIONS
DESOTO COUNTY, FLORIDA**

SEPTEMBER 30, 2016

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INDEPENDENT AUDITORS' REPORT

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the general fund of the DeSoto County, Florida Supervisor of Elections (the Supervisor of Elections), as of and for the year ended September 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund (major fund) of the Supervisor of Elections as of September 30, 2016, and the changes in financial position of the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of Matter – Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position, changes in financial position, and budgetary comparisons of the general fund (major fund), only for that portion of the general fund, of DeSoto County, Florida, that is attributable to the Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of DeSoto County, Florida, as of September 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2017, on our consideration of the Supervisor of Elections' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Supervisor of Elections' internal control over financial reporting and compliance.


March 6, 2017
Sarasota, Florida

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
BALANCE SHEET
GENERAL FUND (MAJOR FUND)
SEPTEMBER 30, 2016**

Assets	
Cash	\$ 8,147
Due from Others	10,315
Prepaid Items	5,036
Total Assets	23,498
 Liabilities and Fund Balance	
Liabilities	
Accounts Payable	11,512
Advance from Desoto County Board of County Commissioners	40,203
Bank Overdraft	2,064
Unearned Revenue	3,164
Total Liabilities	56,943
 Fund Balance (Deficit)	
Reserved	(33,445)
Total Liabilities and Fund Balance (Deficit)	\$ 23,498

See accompanying notes.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Revenues	
Charges for Services	\$ 10,844
Interest Income	32
Total Revenues	10,876
Expenditures	
Current:	
General Government:	
Personnel Services	225,652
Operating Expenditures	161,838
(Total Expenditures)	(387,490)
(Deficiency) of Revenues (Under) Expenditures	(376,614)
Other Financing Sources	
Transfers in from DeSoto County, Board of County Commissioners	343,169
Total Other Financing Sources	343,169
Net Change in Fund Balance	(33,445)
Fund Balance, Beginning of Year	0
Fund Balance (Deficit), End of Year	\$ (33,445)

See accompanying notes.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements:

Reporting Entity

DeSoto County, Florida (the County), is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and an appointed County Administrator. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of Florida.

The DeSoto County, Florida Supervisor of Elections (the Supervisor of Elections), is an elected constitutional officer of the County as provided for by the Constitution of the State of Florida. Pursuant to Chapter 129, Florida Statutes, the Supervisor of Elections' budget is submitted annually to the Board for approval. The Board distributes the funds necessary to operate the Supervisor of Elections' office on a monthly basis. Any excess of appropriations received from the Board over actual expenditures for the fiscal year is required to be returned to the Board within 31 days after the close of the fiscal year.

For financial statement reporting purposes, the Supervisor of Elections is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Supervisor of Elections' office, but are not a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General—Local Governmental Entity Audits*.

The financial transactions of the Supervisor of Elections are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures of each fund category) for the determination of major funds. Major funds are reported separately in the basic financial statements of the Supervisor of Elections.

The Supervisor of Elections reports the following major governmental fund:

- **The General Fund**—a governmental fund is used to account for all revenues and expenditures applicable to the general operations of the Supervisor of Elections.

The Supervisor of Elections utilizes no other fund types.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, and also refers to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures for the current period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid.

The Supervisor of Elections considers receivables collected within 30 days after year-end to be available and recognizes them as revenues of the current year.

Measurement Focus

The accounting and financial reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Budgetary Requirement

On or before June 1 of each year, the Supervisor of Elections submits a tentative budget for the ensuing fiscal year to the Board. The budget is adopted in the same manner as the budget of the Board.

A budget is legally adopted only for the general fund and is on a basis consistent with GAAP. Budgetary control is exercised at the fund level; net expenditures cannot exceed the budgeted appropriation from the Board, as amended. Budgetary changes within the fund can be made at the discretion of the Supervisor of Elections. Amendments to increase the Board appropriation must be submitted to the Board.

Excess of Expenditures over Appropriations

For the year ended September 30, 2016, the Supervisor exceeded appropriations by \$44,321.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year the service is rendered.

Deferred Inflows/Unearned Revenue

Deferred inflows represent revenues that have been earned, but are not available (because they were received more than 30 days after year-end). Unearned revenue represents revenue attributable to future years.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Concluded)

Return of “Excess Fees”

The County funds a major portion of the operating budget of the Supervisor of Elections (net of grants and miscellaneous receipts). The payments by the County to fund the operations of the Supervisor of Elections are recorded as transfers out in the basic financial statements of the County, and as other financing sources in the financial statements of the Constitutional Officer. The Board requires that the excess of the County’s appropriations (and other revenues) over expenditures be returned to the Board at the end of the fiscal year. Repayments to the County are recorded as other financing uses (transfers out) in the financial statements of the Supervisor of Elections and as other financing sources (transfers in) in the basic financial statements of the County. The amount of undistributed excess appropriations at the end of the fiscal year, if any, is reported as amounts due the Board.

Use of Estimates

The preparation of financial statements in accordance with GAAP, requires management to make a number of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.

Net Pension Liability

The Supervisor of Elections participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. Employers participating in cost-sharing multiple-employer defined benefit pension plans report the employers’ proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. However, these liabilities would be recorded in government-wide financial statements, which are not required in this special-purpose presentation. As such, only the applicable disclosures have been presented herein. The net pension liability is recorded in the County-wide statement of net position as a part of the basic financial statements of the County.

Note 2 - Cash and Investments

At year-end, the carrying amount of the Supervisor of Elections’ deposits was \$8,147 and the bank balance was \$13,980. All of the Supervisor of Elections’ public deposits are held in qualified public depositories (QPDs) pursuant to Florida Statutes, Chapter 280. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type of depositor in default.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 2 - Cash and Investments (Concluded)

Investments

The Supervisor of Elections has not adopted an investment policy and so, by statute, follows the state’s guidance set forth in Section 219.075, Florida Statutes regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including County officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the *Florida Interlocal Cooperation Act*, as provided in Florida Statute 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- Direct obligations of the United States Treasury.

The Supervisor of Elections does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Supervisor of Elections had no investments at year-end or during the year.

Note 3 - Capital Assets

The tangible personal property used by the Supervisor of Elections is reported as capital assets in the statement of net position in the County’s basic financial statements. Upon acquisition, such assets are recorded as expenditures in the general fund of the Supervisor of Elections and capitalized at cost in the capital asset accounts of the County. The Supervisor of Elections maintains custodial responsibility for the capital assets used by his office.

Note 4 - Accumulated Compensated Absences

The amount of vested accumulated compensated absences payable under the Supervisor of Elections’ annual leave policy is reported as a liability in the statement of net position in the County’s basic financial statements. That liability includes earned but unused vacation, as well as payroll taxes related thereto. The change in accumulated compensated absences during the year is as follows:

Beginning Balance	\$	5,250
Net (Decrease) Increase		2,500
Ending Balance	\$	7,750

Upon termination of employment, employees with more than ten years of service can receive payment for half their accumulated sick leave. Nonvested amounts are not considered to be significant. The portion of the compensated absences liability estimated to be paid during the next year (current portion) is \$775.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Supervisor of Elections are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The Supervisor of Elections' contribution to the FRS plan totaled \$41,177 for the fiscal year ended September 30, 2016 (all plans).

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership applicable to the Supervisor of Elections are as follows:

- *Regular Class*—Members of the FRS who do not qualify for membership in the other class.
- *Elected County Officer Class*—Members who hold specified elective offices in local government.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Continued)

FRS Pension Plan (Continued)

Plan Description. (Concluded)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class Members Initially Enrolled Before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Continued)

FRS Pension Plan (Concluded)

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-2016 fiscal year were as follows:

FRS - Officer

Class	Year Ended June 30, 2016		Year Ended June 30, 2017	
	Percent of Gross Salary		Percent of Gross Salary	
	Employee	Employer	Employee	Employer
FRS, Regular	3.00	5.56	3.00	5.80
FRS, Elected County Officers	3.00	40.57	3.00	40.75
DROP - Applicable to Members from All of the Above Classes	0.00	11.22	0.00	11.33

The Supervisor of Elections contributions (employer only) to the Plan totaled \$38,640 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Further details of the FRS Plan net pension liability, deferred inflows and outflows, annual pension expense, actuarial assumptions, sensitivity analysis, and other required disclosures can be found in the County-wide annual financial report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Continued)

HIS Pension Plan (Concluded)

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended June 30, 2017 and 2016, the contribution rates was 1.66% of payroll respectively, pursuant to Section 112.363, Florida Statutes. The Supervisor of Elections contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Supervisor of Elections' contributions to the HIS Plan totaled \$2,478 for the fiscal year ended September 30, 2016.

Further details of the HIS Plan net pension liability, deferred inflows and outflows, annual pension expense, actuarial assumptions, sensitivity analysis, and other required disclosures can be found in the County-wide annual financial report.

FRS – Defined Contribution Pension Plan

The Supervisor of Elections contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. (In 2015, no employees had elected to directly participate in the Investment Plan). The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Supervisor of Elections employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment members' accounts during the 2015-16 fiscal year were as follows:

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 5 - Employee Retirement Plan (Concluded)

FRS – Defined Contribution Pension Plan (Concluded)

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34

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. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Supervisor of Elections.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Supervisor of Elections' contribution to the Investment Plan totaled \$59 for the fiscal year ended September 30, 2016.

Note 6 - Postemployment Benefits Other than Pensions

The Board offers postemployment health care benefits to all retired employees of the Supervisor of Elections' office and their dependents. Participating retirees are required to reimburse the Board for 100% of the premium cost, which is netted against the premium payment, so that no net expense is initially recorded in the Board's financial statements. However, these retirees are receiving an "implicit subsidy" because the premium is a group rate which includes active, lower cost employees.

DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Concluded)

Note 6 - Postemployment Benefits Other than Pensions (Concluded)

This implicit subsidy has a cost which under GAAP is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Supervisor of Elections' office. Accordingly, these calculations and disclosures will be found in the County-wide annual financial report.

Note 7 - Risk Management

The Supervisor of Elections' office is covered for employee medical, workers' compensation, liability, and casualty risks by the Board. The Board provides coverage as a member of a public risk management pool in amounts that the Board feels are adequate.

The Supervisor of Elections is also protected under sovereign immunity up to a maximum of \$200,000 per person/\$300,000 per occurrence for claims against the Supervisor of Elections involving negligence, including automobile and general liability. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, can only be recovered through an act of the State of Florida Legislature. During the year ended September 30, 2016, the Supervisor of Elections paid \$23,351 to the Board for insurance coverage (employee medical and life insurance).

Note 8 - Litigation

From time-to-time, the office of the Supervisor of Elections is involved as a defendant in certain litigation and claims arising from the ordinary course of operations. In the opinion of legal counsel, the range of potential liabilities will not materially affect the operations of the Supervisor of Elections' office or the financial position of the County, which would be required to fund any claims payments.

REQUIRED SUPPLEMENTARY INFORMATION

**DESOTO COUNTY, FLORIDA
SUPERVISOR OF ELECTIONS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (MAJOR FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 0	\$ 0	\$ 10,844	\$ 10,844
Interest Income	0	0	32	32
Total Revenues	<u>0</u>	<u>0</u>	<u>10,876</u>	<u>10,876</u>
Expenditures				
Current:				
General Government:				
Personnel Services	229,634	229,634	225,652	3,982
Operating Expenditures	113,535	113,535	161,838	(48,303)
(Total Expenditures)	<u>(343,169)</u>	<u>(343,169)</u>	<u>(387,490)</u>	<u>(44,321)</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(343,169)</u>	<u>(343,169)</u>	<u>(376,614)</u>	<u>(33,445)</u>
Other Financing Sources				
Transfers in from DeSoto County, Board of County Commissioners	343,169	343,169	343,169	0
Total Other Financing Sources	<u>343,169</u>	<u>343,169</u>	<u>343,169</u>	<u>0</u>
Net Change in Fund Balance	0	0	(33,445)	(33,445)
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance (Deficit), End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (33,445)</u>	<u>\$ (33,445)</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

We have audited, 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, the financial statements of the general fund of the DeSoto County, Florida Supervisor of Elections (the Supervisor of Elections), as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Supervisor of Elections' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Supervisor of Elections' internal control. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections' 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 the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described below that we consider to be a significant deficiency:

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Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**
(Continued)

Internal Control Over Financial Reporting (Concluded)

■ **2016-1 Segregation of Duties**

Condition—One of the basic tenets of a sound system of internal controls is the segregation of incompatible duties among employees. The premise is that to minimize control issues, duties should be segregated among employees so that individuals do not perform all of the accounting functions for a single area. During our audit, we identified instances where one individual receives the mail, enters invoices, writes checks, signs checks, and reconciles the bank statements. That same individual authorizes purchases and payroll, and records and reconciles all transactions. This condition is common across small organizations with limited personnel.

Effect—Lack of segregation of incompatible duties can result in errors or irregularities that will not be prevented, or detected and corrected, on a timely basis.

Recommendation—We recommend that the Supervisor of Elections review his internal control policies and procedures to limit the risks resulting from a lack of segregation of duties. Such mitigating controls could include additional involvement from the outsourced CPA or assistance from the DeSoto County Board of County Commissioners' finance department.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisor of Elections' 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described below:

■ **2016-2 Expenditures in Excess of Budgeted Appropriations**

Condition—In accordance with Florida Statute 129.201, the Supervisor's budget as approved by the County Commission is included in the general county budget, and is subject to the same provisions of laws as the county's annual budget. As such, the Supervisor's budget must regulate its expenditures, and funds may not be expended except pursuant to the adopted budget. As of September 30, 2016, the Supervisor's expenditures exceeded his budget by \$44,321, which was funded with \$10,876 of unanticipated revenues and a \$40,203 advance from the Board. The Supervisor's budget may be increased by the Board to cover unanticipated expenditures; however, no budget amendment was made during fiscal year 2016.

Effect—The Supervisor's fiscal year 2016 budget was not amended, and, therefore, is not in compliance with Florida Statute 129.06(1), which requires all expenditures of the Supervisor to be within the adopted budget, as amended.

Recommendation—We recommend that the Supervisor amend his budget to ensure expenditures are within the budget.

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
(Concluded)**

The Supervisor's Response to Findings

The Supervisor's response to the findings identified in our audit is included in the accompanying management letter. The Supervisor's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Purvis, Gray and Company, LLP

March 6, 2017
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

We have examined DeSoto County, Florida Supervisor of Elections' (the Supervisor of Elections) compliance Section 218.415, Florida Statutes during the fiscal year ended September 30, 2016. Management is responsible for the Supervisor of Elections' compliance with those requirements. Our responsibility is to express an opinion on the Supervisor of Elections' compliance based on our examination.

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

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

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


March 6, 2017
Sarasota, Florida

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MANAGEMENT LETTER

Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

Report on the Financial Statements

We have audited the financial statements of the general fund of the DeSoto County, Florida Supervisor of Elections (the Supervisor of Elections), as of and for the year ended September 30, 2016, and have issued our report thereon dated March 6, 2017.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Compliance with Florida Statute Section 218.415 – Investments of Public Funds. Disclosures in those reports, which are dated March 6, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Our prior audit findings #2015-01 and #2015-02 were considered resolved in 2016.

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. In that regard, the Supervisor of Elections was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Supervisor of Elections.

Other Matters

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

Certified Public Accountants

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Honorable Mark F. Negley
Supervisor of Elections
DeSoto County, Florida

MANAGEMENT LETTER
(Concluded)

Other Matters (Concluded)

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we would like to draw your attention to the following finding:

■ **2016-3 Employee Advances**

During our audit we noted that the Supervisor of Elections pays monthly payroll at the beginning of the pay period rather than the end. Additionally, in the current year, the October 2016 paychecks were issued and cleared the bank during September, resulting in an employee advance as of September 30, 2016, of \$10,315. Pursuant to Article VII, Section 10 of the Florida Constitution, public entities are prohibited from lending public funds to any person or private entity. We recommend the Supervisor of Elections issue payroll checks at the end of the pay period, and consider shortening the pay period to process payroll twice monthly.

Purpose of this Letter

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



March 6, 2017
Sarasota, Florida



MARK F. NEGLEY

SUPERVISOR OF ELECTIONS

DeSoto County, Florida

May1, 2017

Purvis, Gray & Company, LLP
5001 Lakewood Ranch Blvd. N., Suite #101
Sarasota, FL 34240

Dear Sirs,

We have received and reviewed your audit of the financial statements of the DeSoto County Supervisor of Elections for the year ended September 30, 2016.

Current Year Findings:

- 2016-1 Segregation of Duties
- 2016-2 Expenditures in Excess of Budgeted Appropriations
- 2016-3 Employee Advances

Supervisor of Elections Response:

We do acknowledge the matters disclosed on page sixteen, seventeen, and twenty one of your management letter and agree with the recommendations of the auditors.

- 2016-1 In 2017 we will include additional involvement from an outsourced CPA to monitor fiscal activity on a quarterly basis and limit the risks resulting from a lack of segregation of duties.
- 2016-2 In the future Presidential election cycle we will ask for a budget increase to allow for additional Primary election costs, so that our fiscal budget will not be impacted as in 2016.
- 2016-3 The current payroll schedule now issues payroll checks at the end of the month, at the end of the pay period.

The Supervisor of Elections Office concurs with the findings of this audit.

Sincerely,

Mark F. Negley
Supervisor of Elections