

Comprehensive Annual Financial Report
Hernando County, Florida



for the
Fiscal Year Ended
September 30, 2016

**HERNANDO COUNTY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

PRINCIPAL OFFICIALS

as of September 30, 2016

BOARD OF COUNTY COMMISSIONERS

James Adkins, *Chairman* - District 5
Diane B. Rowden, *Vice Chairman* - District 3
Nicholas W. Nicholson – District 1
Wayne Dukes - District 2
Jeff Holcomb - District 4

TAX COLLECTOR

Sally L. Daniel, CFC

SHERIFF

Al Nienhuis

PROPERTY APPRAISER

John C. Emerson, CFA

SUPERVISOR OF ELECTIONS

Shirley Anderson

CLERK OF COURT AND COMPTROLLER

Don Barbee, Jr.



INTRODUCTORY SECTION

This section contains the following:

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Letter of Transmittal

Certificate of Achievement Award

Organizational Chart



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Don Barbee Jr.

Clerk of Circuit Court & Comptroller, Hernando County FL
20 N. Main Street, Brooksville FL, 34601 (352) 754-4201

March 24, 2017

To the Citizens of Hernando County:

The Comprehensive Annual Financial Report (CAFR) of Hernando County, Florida, for the fiscal year ended September 30, 2016 is respectfully submitted. This report was prepared by the Clerk of Circuit Court and Comptroller, Department of Financial Services. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Clerk of Circuit Court and Comptroller (Clerk and Comptroller) as Chief Financial Officer of Hernando County. To provide a reasonable basis in meeting this responsibility, a comprehensive internal control framework has been established that is designed both to protect the County's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The Management's Discussion and Analysis in the Financial Section of the CAFR should be read in conjunction with this Letter of Transmittal.

Profile of the County

Hernando County, population 179,503, is located in the west central region of the State of Florida, allowing easy access to the Tampa and Orlando metropolitan areas. As part of the Tampa Bay Region, it is bound by the Gulf of Mexico on the west, Citrus County to the north, Sumter County to the east, and Pasco County to the south.

Hernando County, established in 1843, covers 473 square miles and is named in honor of Spanish explorer Hernando De Soto, who led an expedition through the county in 1539. Hernando County has two incorporated cities: the City of Brooksville, the county seat, with a population of 8,006 is rich in history and traditions; and the City of Weeki Wachee with a population of 5 which incorporated many decades ago to promote its tourism attraction, the Buccaneer Bay/Weeki Wachee Resort, commonly known as the "City of Mermaids." Hernando County's unincorporated areas include Ridge Manor, Bayport, Aripeka, Lake Lindsey, Istachatta/Nobleton, Masaryktown, Hernando Beach, and most notably, Spring Hill. Spring Hill, located in the southwest part of the County, is the largest unincorporated Hernando County community.

Hernando County is the heart of the Sunshine State's renowned Nature Coast. Hernando County offers scenic rolling hills, spectacular parks and waterways, some of the best paved bike trails in Florida, and ten locations along the Great Florida Birding Trail. Activities of the Nature Coast include hunting, camping, bird watching and hiking, as well as fishing, boating, paddling and kayaking on the County's many waterways.

Situated at the geographic center of the state with easy access to major highways like the Suncoast Parkway, Interstate 75, State Road 50 and US Highway 41 make Hernando County a strategic business location. Hernando County is unique in the Tampa Bay area with its variety of industrial site options including a vibrant general aviation airport and business complex, private

land, and existing buildings with significant room for growth. Major industries include manufacturing, precision machining, distribution and healthcare. Growing retail trade and a wide selection of professional services enables Hernando County to offer significant choices for its residents.

Hernando County government provides a full range of services including law enforcement, emergency medical services, fire protection, mass transportation services, health and social services, cultural and recreational services, water, sewer, waste disposal and business development.

The Hernando County Board of County Commissioners, as the legislative body for Hernando County, budgets and provides all of the funding used by its Departments and the separate Constitutional Officers with the exception of certain fees collected by the Tax Collector, Clerk and Comptroller, Property Appraiser and Sheriff. Hernando County operates under a five-member policy-making elected Board. The Board appoints a county administrator who in turn appoints various department managers. All five Board members and the five constitutional officers are elected to four-year terms. Under the direction of the Clerk and Comptroller, the Department of Financial Services maintains the accounting system for the Board of County Commissioners and the Clerk and Comptroller. The Tax Collector, Property Appraiser, Supervisor of Elections and Sheriff maintain their own accounting systems. All of the Constitutional Officers invest their funds independently. The Clerk and Comptroller manages the investments of the Board of County Commissioners and the Clerk and Comptroller.

Formal budgetary integration is employed as a management control device during the year for all significant funds. The Board of County Commissioners adopts budgets on a basis consistent with Generally Accepted Accounting Principles (GAAP). The adoption and amendment of the budget is done consistent with the laws of Florida. The legal level of control is established on a fund basis; however, operational control is maintained during the year at the lower of the department or fund level. Budgetary control is maintained through the use of encumbrances.

Factors Affecting Financial and Economic Conditions

Local Economy. Following are some highlights of the County's economic status:

- The population of the County is currently approximately 179,503 which is an increase of 14% over what it was 10 years ago. The County's population is projected to be almost 197,000 five years from now and over 212,000 ten years from now.
- As part of the Tampa Bay region, Hernando County enjoys being a part of the largest consumer market in Florida.
- Industrial business expansions and new development were welcomed in a number of sectors. The County recruited three new companies, E-Telequote, Successful Acquisitions, and Airofog, while retaining and growing six existing businesses representing 123,500 square feet of space, 185 new jobs and 119 existing jobs.
- Both residential and commercial development are increasing. The inventory of lots in existing developed subdivisions is decreasing, and new phases are being submitted for approval.

Commercial development continues to be steady along SR 50 in Spring Hill, a major shopping corridor in the County. In addition, a significant number of developments have been approved and are expected to be of interest to developers as the economy continues to improve. Seville includes provisions for 854,000 square feet of commercial space and 3,900 dwelling units. Glen Lakes, a project vested from the State Developments of Regional Impact (DRI) rule has updated master plans for 1487 residential units. There are also several DRI's that have been approved by the State which remain vested for development. These include the Quarry Preserve DRI, Lake Hideaway DRI, Sunrise DRI and Hickory Hill DRI. In total, these projects would add over 16,000 dwelling units, 425,000 square feet of retail, 850,000 square feet of business park uses, 795,000 square feet of commercial and 108 holes of golf.

Long Term Financial Planning. The County prepares a 5-year Capital Improvement Plan which is adopted by the Board with the annual budget approval. It identifies all public capital facilities, public infrastructure and equipment, with a value over \$50,000 and a useful life over 10 years. The plan identifies the funding source (taxes, grants, impact fees, etc) for each project.

Major Initiatives. Hernando County government takes pride in its accomplishments for the fiscal year. The County is proud of the infrastructure, public facilities and programs that have been realized for the citizens of our County. Following is a list of some of our achievements for the year:

- Tourism Development had double digit increases in revenues for three years straight that brought more marketing dollars to promote the new brand launched last year. It has created a positive economic impact, jobs and tax relief for our residents at a value of of \$1,535 per household, according to Visit Florida's research.
- The County maintained and improved 22 county parks by adding pay stations, playground equipment, a football field, electronic gates and replacing beach sand. They continue to build partnerships with public, private groups, schools and organizations through the Parks and Recreation Department offering both adult and youth events.
- TheBus saw a year of growth by adding a new route and realigning and expanding others. It also increased the frequency of service by 25% and experienced an increase in ridership of 16%. The county improved 19 of the bus stops with boarding and lighting areas to make them fully accessible to riders with disabilities. They will continue this process every year until all bus stops have been upgraded.
- The Library System was the host to many outreach programs, such as "Touch a Truck" event which encouraged citizens to explore the many utility and rescue vehicles used throughout the community. This and other outreach programs like the Brooksville Library 5K attracted almost 5,000 citizens to the Library environment, encouraging them to continue to utilize the County's Library Services.
- The Insurance Services Office ranks fire rescue departments across the country on a scale from Class 1 to 10 with 1 being highest, based on National Fire Protection Association standards. The classification reflects the relative low risk of fire losses in the county

compared to other localities across the nation. Hernando County Fire Rescue received a Class 2/2Y rating which may result in residents qualifying for lower property insurance premiums.

- The Department of Public Works completed 66 miles of improved roadways along with creating an Aquatic Services Department to assist and coordinate efforts in preparing a 10 year artificial reef plan.
- In an effort to meet the National Resources Vision of the County's Strategic Plan, the County planned for enhanced water quality in the springs and springsheds, increased garbage recycling by 36%, removed almost 3000 dangerous plant species in coastal communities, and increased use of reclaimed water to 1.5 million gallons per day.
- The Utilities Department which services approximately 60,000 customers moved into their new administration building in September 2016. The move allowed multiple departments to merge under one roof which offers customers the convenience of conducting business at one centralized location. The building houses Utilities Administration, Engineering, Finance, Water Conservation, Customer Service, Billing and Meter Readers.
- In May 2016, the \$25 million expansion of the Airport Wastewater Treatment Facility became operational. The plant's expansion increased its capacity from 1.25 million gallons per day (MGD) to 3.5 MGD and is designed for future expansion to 6 MGD.
- The Supervisor of Elections broke the previous two years' records during the August Primary Election by reporting 100% of the unofficial results by 7:29 p.m. The office handled an unprecedented 4,700 party affiliation changes in relation to the Primary and saw an increased number of voters.
- The Brooksville-Tampa Bay Regional Airport, a public use general aviation facility finalized its Master Plan which lays out the foundation for growth over many years to come. Additionally, to meet demand, 40 new T-Hangars for Piston Aircraft were built during the year.

Hernando County has adopted many budgetary and financial policies and continually monitors them for adherence and relevance. The establishment of budgetary and financial policies enables the Board, management and the community to monitor County performance. Following are some of the more significant budgetary policies: the Board annually adopts a balanced budget; fund balances anticipated at the end of a fiscal year are budgeted as the beginning fund balance for the following year; any variance between budgeted fund balance forward and actual fund balance forward is adjusted through a budget amendment; the budget is prepared in compliance with the County's Budget Reserve Policy and Reserve Stabilization Policy; a minimum reserve policy requires reserves in the General Fund to be maintained at 18.5% and Hernando County maintains a five-year Capital Improvement Program (CIP) and updates it annually.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hernando County for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

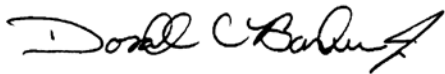
A Certificate of Achievement is valid for a period of one year only. Hernando County has received a Certificate of Achievement for the last 31 consecutive years. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Acknowledgments

This report is the product of the dedication of the Department of Financial Services of the Clerk of Circuit Court and Comptroller of Hernando County as Auditor and Comptroller to the Board of County Commissioners.

We would like to express our appreciation and thanks to Frances Pioszak, Assistant Director of Financial Services, the County Administration and Budget Offices, and the firm of Purvis, Gray and Company, LLP, who helped us with their comments and advice throughout the year.

Respectfully submitted,



Don Barbee, Jr.
Clerk of Circuit Court and Comptroller



Amy Gillis, CPA, CGFO
Director of Financial Services

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hernando County, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Hernando County has received a Certificate of Achievement for the last thirty-one consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

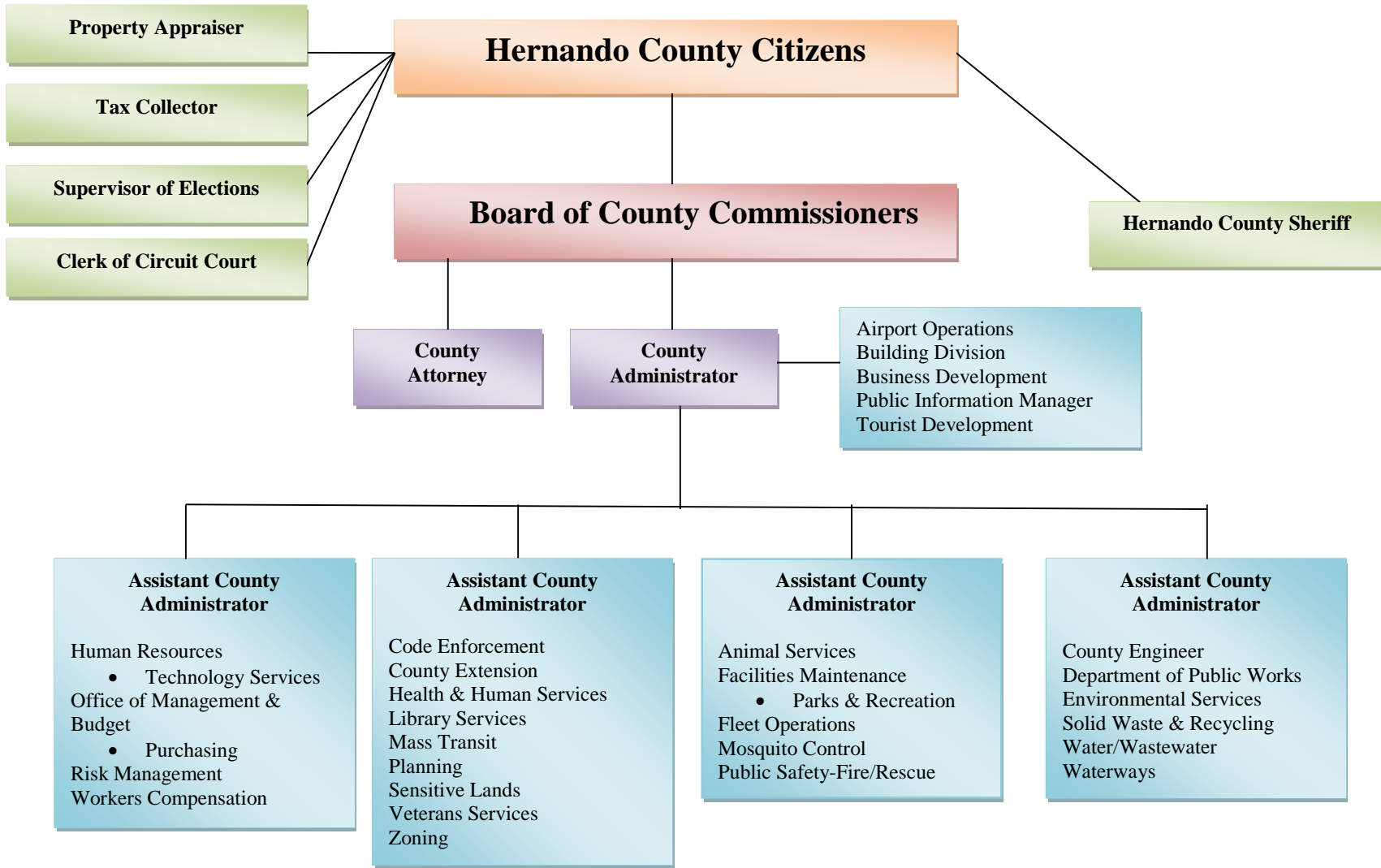
**County of Hernando
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO







FINANCIAL SECTION

This section contains the following:

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Combining and Individual Fund Statements and Schedules

INDEPENDENT AUDITORS' REPORT

Distinguished Members of the
Board of County Commission
Hernando 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 Hernando 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 opinions.

Certified Public Accountants

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Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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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

Distinguished Members of the
Board of County Commission
Hernando 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, and the respective budgetary comparison for the General Fund, the Transportation Trust and Gas Taxes Fund, and the Hernando County Fire Rescue-Fire Fund, 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 other 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 introductory section, combining and individual fund statements and schedules, statistical section, and bond compliance section, are presented for purposes of additional analysis and are 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 combining and individual fund statements and schedules 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 combining and individual fund statements and schedules, and the schedule of expenditures of federal awards and state financial assistance, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Distinguished Members of the
Board of County Commission
Hernando County, Florida

INDEPENDENT AUDITORS' REPORT

(Concluded)

Other Matters *(Concluded)*

Other Information (Concluded)

The introductory, statistical, and bond compliance sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 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

March 24, 2017
Sarasota, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Hernando County's financial statements provides an overview of the financial activity of the County for the fiscal year ended September 30, 2016. We encourage reading this narrative in conjunction with the Transmittal Letter in the Introductory Section.

FINANCIAL HIGHLIGHTS

At the close of the most recent fiscal year, September 30, 2016, the County's assets and deferred outflows exceeded its liabilities and deferred inflows by \$556,888,037. This represents an increase of \$2,509,395 over the prior year net position. Of the \$556,888,037 difference between assets and liabilities, a negative \$599,723, was unrestricted.

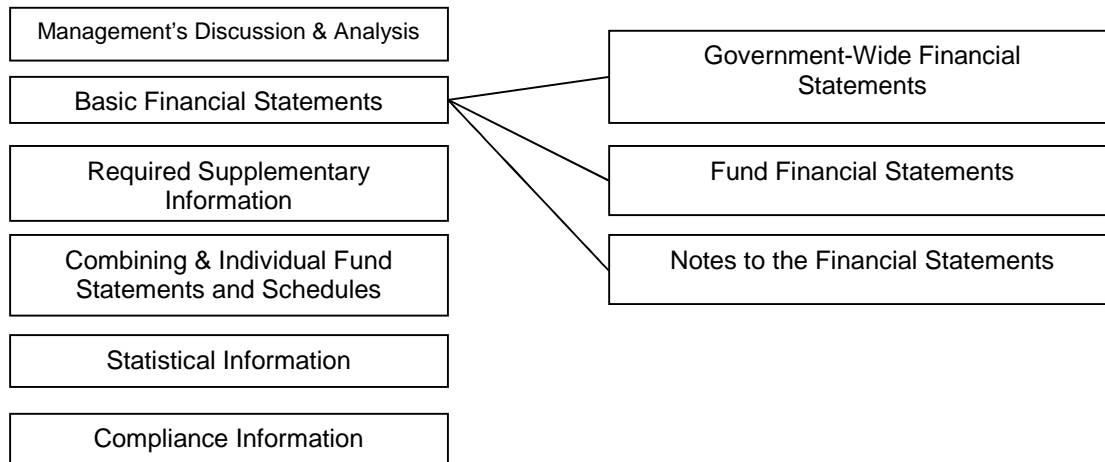
Net position of governmental activities decreased \$9,423,283. Net position of business-type activities increased \$11,932,678. Accordingly, net position of both the governmental activities and business-type activities increased a total of \$2,509,395.

As of September 30, 2016, unassigned fund balance in the governmental funds was \$9,442,933; representing a 27% decrease from the previous year unassigned fund balance of \$12,992,496. The net change in fund balances in the governmental funds increased from a negative \$8,891,678 for the fiscal year 2014-15 to a negative \$1,967,982 for the fiscal year 2015-16. The current increase is predominantly due to an increase in the fund balance of Nonmajor Governmental Funds of \$4,765,413 compared to an increase of \$2,320,838 in the prior year. This was offset by a decrease in the decline of fund balance of Impact Fee Capital Project Fund from \$5,279,432 to \$380,708 in the current year. The fund balance of the General Fund decreased from a positive \$421,664 in fiscal year 2014-15 to a negative \$663,548 in fiscal year 2015-16.

The County's largest enterprise fund, the Water & Sewer District, had an increase in net position of \$7,633,183 for the year with the increase mostly being in the operating income. The Water and Sewer operating income of \$5,350,270 represents a 21% increase over operating income of the previous year. Waste Management had an increase in net position of \$2,087,076 for the year compared to an increase of \$4,752,672 in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's Comprehensive Annual Financial Report (CAFR) consists of seven parts: an introductory section; management's discussion and analysis (this overview); the basic financial statements; required supplementary information; an optional section that presents combining statements for non-major governmental funds, internal service funds and certain individual fund financial statements; statistical information; and compliance information. The basic financial statements consist of three parts: government-wide financial statements, fund financial statements and notes to the financial statements. Below is a diagram of the components of the CAFR:



Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of Hernando County's finances using a governmental or business-type classification. The government-wide financial statements include a statement of net position and a statement of activities. The government-wide financial statements distinguish between functions that are principally supported by taxes and intergovernmental revenues (governmental activities) and those that are principally supported by user fees and charges (business-type activities). The government-wide financial statements are prepared using an economic resources measurement focus and the accrual basis of accounting.

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

The **statement of activities** presents information on all revenues and expenses of the County and the change in net position. This statement provides the expenses of a given function or activity offset by related program revenues resulting in the net expense or revenue for the function or activity. General revenues, such as taxes, are then presented resulting in a final change in net position. All revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's major funds individually. 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. Hernando County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by state or local law, bond covenants or the County's desire to control, manage and account for designated revenues or expenses separately. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting, which measures current assets and liabilities, changes in current financial resources, and current available resources.

Because the focus of governmental fund financial statements is based on accounting for resources on a more current basis, it is useful to compare with information presented for governmental activities which focus more on long-term resource accounting. Reconciliations of fund balance in governmental funds and changes in fund balance to net position and changes in net position of governmental activities are provided with the governmental fund financial statements.

Proprietary fund financial statements consist of two fund types: Enterprise Funds and Internal Service Funds. Proprietary funds use an economic resources measurement focus and the accrual basis of accounting, which measures all assets and liabilities, changes in economic resources, and total economic resources.

Fiduciary fund financial statements provide information concerning assets held in trust by the County on behalf of others. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Notes to the Financial Statements

The notes provide additional detail concerning the financial activities and balances of the County and are essential for the reader to have a full understanding of the statements.

ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Hernando County's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Current and other assets	\$ 129,528,851	\$ 120,670,434	\$ 74,534,945	\$ 78,495,135	\$ 204,063,796	\$ 199,165,569
Capital and other long-term assets	<u>339,469,145</u>	<u>339,304,738</u>	<u>248,725,894</u>	<u>266,752,993</u>	<u>588,195,039</u>	<u>606,057,731</u>
Total assets	<u>468,997,996</u>	<u>459,975,172</u>	<u>323,260,839</u>	<u>345,248,128</u>	<u>792,258,835</u>	<u>805,223,300</u>
Deferred Outflows of Resources	<u>12,362,690</u>	<u>50,341,515</u>	<u>2,546,661</u>	<u>4,872,635</u>	<u>14,909,351</u>	<u>55,214,150</u>
Long-term liabilities	118,736,354	168,042,872	92,518,908	109,099,504	211,255,262	277,142,376
Other liabilities	<u>14,330,012</u>	<u>11,293,608</u>	<u>14,121,393</u>	<u>10,469,366</u>	<u>28,451,405</u>	<u>21,762,974</u>
Total liabilities	<u>133,066,366</u>	<u>179,336,480</u>	<u>106,640,301</u>	<u>119,568,870</u>	<u>239,706,667</u>	<u>298,905,350</u>
Deferred Inflows of Resources	<u>12,287,561</u>	<u>4,396,732</u>	<u>795,315</u>	<u>247,331</u>	<u>13,082,876</u>	<u>4,644,063</u>
Net position:						
Net Investment in capital assets	303,505,560	306,373,129	171,559,188	175,885,969	475,064,748	482,259,098
Restricted	61,254,497	62,475,970	9,597,542	12,752,692	70,852,039	75,228,662
Unrestricted	<u>(28,753,299)</u>	<u>(42,265,624)</u>	<u>37,215,154</u>	<u>41,665,901</u>	<u>8,461,855</u>	<u>(599,723)</u>
Total net position	<u>\$ 336,006,758</u>	<u>\$ 326,583,475</u>	<u>\$ 218,371,884</u>	<u>\$ 230,304,562</u>	<u>\$ 554,378,642</u>	<u>\$ 556,888,037</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Hernando County, net position was \$556,888,037 at the close of the most recent fiscal year. This represents an increase of \$2,509,395 or 0.5% from the prior year.

The largest portion of Hernando County's net position (87%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, improvements, construction in progress, intangible assets and equipment), less any accumulated depreciation and related debt used to acquire those assets that is still outstanding. Hernando County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hernando 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 (14%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of the County's net position (negative 1%) is unrestricted.

Hernando County's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Revenues						
Program revenues:						
Charges for services	\$ 54,587,889	\$ 54,957,779	\$ 40,445,060	\$ 43,461,287	\$ 95,032,949	\$ 98,419,066
Operating grants and contributions	5,033,327	4,935,018	294,252	93,531	5,327,579	5,028,549
Capital grants and contributions	3,006,364	1,777,534	2,531,225	5,306,069	5,537,589	7,083,603
General revenues:						
Property taxes	58,983,608	61,571,869	-	-	58,983,608	61,571,869
Other taxes	22,224,996	24,695,136	-	-	22,224,996	24,695,136
Investment earnings	1,671,419	1,437,246	743,457	701,309	2,414,876	2,138,555
Other	<u>1,495,368</u>	<u>1,726,398</u>	<u>910,194</u>	<u>846,158</u>	<u>2,405,562</u>	<u>2,572,556</u>
Total revenues	<u>147,002,971</u>	<u>151,100,980</u>	<u>44,924,188</u>	<u>50,408,354</u>	<u>191,927,159</u>	<u>201,509,334</u>
Expenses						
General government	22,134,081	24,582,691	-	-	22,134,081	24,582,691
Public safety	74,105,007	86,581,625	-	-	74,105,007	86,581,625
Physical environment	1,194,687	1,230,350	-	-	1,194,687	1,230,350
Transportation	20,187,226	23,236,377	-	-	20,187,226	23,236,377
Economic environment	2,355,434	3,095,345	-	-	2,355,434	3,095,345
Human services	8,761,717	7,274,535	-	-	8,761,717	7,274,535
Culture and recreation	5,145,780	5,715,518	-	-	5,145,780	5,715,518
Court operations	6,868,369	6,772,680	-	-	6,868,369	6,772,680
Interest on long-term debt	1,062,194	1,037,630	-	-	1,062,194	1,037,630
Water and sewer	-	-	25,881,679	27,672,539	25,881,679	27,672,539
Aviation operations	-	-	2,242,278	2,567,431	2,242,278	2,567,431
Waste management	-	-	3,348,066	6,446,772	3,348,066	6,446,772
Building department	-	-	<u>2,218,037</u>	<u>2,786,446</u>	<u>2,218,037</u>	<u>2,786,446</u>
Total expenses	<u>141,814,495</u>	<u>159,526,751</u>	<u>33,690,060</u>	<u>39,473,188</u>	<u>175,504,555</u>	<u>198,999,939</u>
Change in net position before transfers	5,188,476	(8,425,771)	11,234,128	10,935,166	16,422,604	2,509,395
Transfers	<u>609,887</u>	<u>(997,512)</u>	<u>(609,887)</u>	<u>997,512</u>	-	-
Change in net position	5,798,363	(9,423,283)	10,624,241	11,932,678	16,422,604	2,509,395
Net position –beginning of year	397,331,216	336,006,758	212,561,207	218,371,884	609,892,423	554,378,642
Adjustment to beginning net position	<u>(67,122,821)</u>	-	<u>(4,813,564)</u>	-	<u>(71,936,385)</u>	-
Net position –end of year	<u>\$ 336,006,758</u>	<u>\$ 326,583,475</u>	<u>\$ 218,371,884</u>	<u>\$ 230,304,562</u>	<u>\$ 554,378,642</u>	<u>\$ 556,888,037</u>

Governmental Activities

Net position of the governmental activities decreased \$9,423,283 or 3% over prior year net position balance. Program revenues in the amount of \$61,670,331 were used to offset program expenses of \$159,526,751 resulting in a net program loss of \$97,856,420. General revenues and transfers totaling of \$88,433,137 offset the difference in those program expenses and resulted in a total net decrease of \$9,423,283.

Program revenues decreased 2% during the year. The decrease in Program Revenues is mostly attributable to a \$1.2 million or 41% decrease in Capital Grants and Contributions. Capital Grants and Contributions decreased mainly due to the completion of LAP Construction projects in fiscal year 2014-15. The new LAP projects which began in fiscal year 2015-16 are only in the design stages.

Property taxes increased \$2.6 million or 4% due to a 3% increase in the taxable value of property in the County.

Fuel taxes increased \$1.9 million or 31% due to a 3-cent increase in the Local Option gas taxes. Two pennies of the proceeds go to the local street resurfacing program.

Program expenses increased 12% over the prior year. The most significant changes were increases in General Government, Public Safety and Transportation expenses which were offset by a decrease in Human Services expenses.

General Government expenses increased 11% due to a change in the Net Pension Liability based upon the most recent rates provided by the Florida Retirement System. Also, poll workers were needed during the year by the Supervisor of Elections because it was a presidential election year. This type of expense is incurred as needed.

Public Safety expenses increased 17% due to a change in the Net Pension Liability based upon the most recent rates provided by the Florida Retirement System. Health insurance and retirement costs also increased. There was also \$528,000 increase in capital outlay for vehicles used in providing Public Safety.

Transportation expenses increased 15% due to an increase in health insurance and retirement costs. Expenses also increased due to a change in the Net Pension Liability based upon the most recent rates provided by the Florida Retirement System.

Human Services expenses decreased 17% due to payments of \$1.3 million made in prior year for an agreement between Hernando County and the State of Florida to increase the provision of health services for Medicaid, the uninsured and under-insured persons of the County and the State of Florida at large. There was no agreement in place for fiscal year 2015-16.

Business-Type Activities

Net position of the business-type activities increased \$11,932,678 or 6% over prior year net position balance. Program revenues in the amount of \$48,860,887 were used to offset program expenses of \$39,473,188, resulting in net program income of \$9,387,699. General revenues less transfers in the amount of \$997,512 resulted in a total net increase of \$11,932,678.

Charges for services increased mostly due to increases in charges for water and sewer services of \$2.8 million or 10% from increases in water consumption and the phased in increase in rates as part of a five-year rate plan.

Capital Grants and Contributions increased 110% from prior year due to progress of various airport construction projects.

Water and Sewer expenses increased 7% due to increases in retirement contributions and health insurance. Additional expenses were incurred on repairs and maintenance of the new administration building for utilities department. Also, the Berkley Manor wastewater treatment plant was decommissioned resulting in additional expense of \$323,000.

Waste Management expenses increased 93% due to a change in the estimated long term care costs of the landfill. There was a significant decrease in long term care costs in fiscal year 2014-15 due to a change in estimate for final closure and postclosure costs for one of the landfill cells. See Note N for more information.

Building Department expenses increased 25% due to increases in retirement contributions and health insurance. Additional costs were also incurred for office remodeling to create additional work space.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

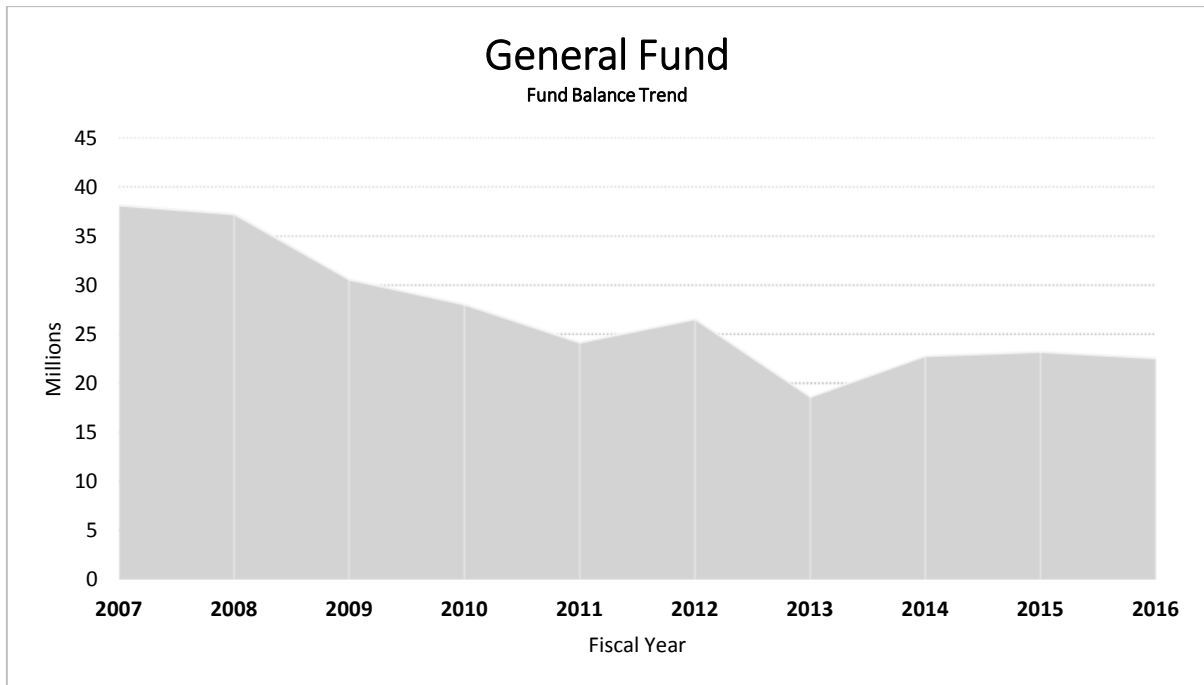
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following is a discussion of the financial statements on a fund accounting level.

Governmental Funds

As previously discussed, governmental funds measure current assets and liabilities and current or spendable resources. A fund's unassigned fund balance may provide a useful measure of the fund's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Hernando County governmental funds reported fund balances of \$91,996,771, a decrease of \$1,967,982 or 2% from prior year balances. Of the \$91,996,771 fund balance in governmental funds, \$9,442,933 constitutes unassigned fund balance, which is available for spending at the County's discretion and \$4,627,038 which is non-spendable. The remainder of fund balance available for spending consists of the following: \$60,254,806 in 'Restricted Fund Balance' which is restricted by law or externally imposed requirements; \$6,567,563 in 'Committed Fund Balance' which is committed for a specific purpose by the Board; and \$11,104,431 in 'Assigned Fund Balance' which is assigned for a specific purpose by the Board without formal approval. See Note A, Governmental Fund Balance Classifications, for more information.

Governmental funds are comprised of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds. The General Fund is the chief operating fund of the County. As of the end of the fiscal year, total fund balance for the General Fund was \$22,674,287 representing a 3% decrease from the previous year. Following is a chart of the fund balance trend over the past ten years of the General Fund:



In the **General Fund**, the fund balance decreased \$663,548, or 3%. General Fund revenues decreased less than 1% and General Fund expenditures increased 3% from prior year. Revenue from Taxes increased \$1,395,220 from the prior year due to an increase in the taxable value of property from the prior year. Charges for services decreased 13% due to \$1.6 million being received in fiscal year 2014-15 for the last payment under a lease agreement between the County and a local hospital.

Expenses for General Government increased due to an increase in expenses for Supervisor of Elections for poll workers hired because it was a presidential election year. There was also an increase in expenses for the Property Appraiser due to the transfer of programming and responsibility for maintenance of a software program from the Board to the Property Appraiser's office.

Public Safety expenses increased due to an increase in contract services utilized by the Board for public safety. The County pays the Department of Justice a cost share for County and State juvenile detention. A cost settlement was paid during the current year of \$236,000 and the regular monthly charges for fiscal year 2015-16 was higher. Expenses of the Board and Sheriff also increased due to health insurance, retirements and other personnel-related costs.

Transportation expenses increased due to the increases in personal services which includes health insurance and retirement. Professional and contract services also increased from prior year.

Human Services expenses decreased due to an agreement between Hernando County and the State of Florida in the prior fiscal year whereby the County paid \$1.6 million to be used to increase the provision of health services for Medicaid, uninsured and under-insured people of the County. There were no such payments in the current year.

Capital Outlay expenses increased due to grant-related expenditures.

The **Transportation Trust Fund** fund balance decreased \$3,047,380, or 11%. Revenues from taxes increased 17% from prior year due to an increase in gas taxes. The increase in Transportation expense of 8% was offset by a decrease in Capital Outlay of slightly less than 8%. Personal services, including health insurance and retirement expenses increased from prior year. Various operating expenses including professional and contract services, utilities and insurance, also increased slightly. Construction decreased slightly compared to fiscal year 2014-15.

In the **Impact Fee Fund**, the fund balance decreased 5%, but was still a 93% improvement over the prior year's decrease. Impact Fee Fund revenues increased 8% and Impact Fee Fund expenditures decreased 80%.

The **Hernando County Fire Rescue-Fire** fund balance decreased \$2,641,759, or 89%. Revenue increased 6% from the prior year. Expenses increased 1% to maintain enhanced staffing levels for the fire department. A loan in the amount of \$3,750,000 was provided by the General Fund to the Fire Fund to meet its obligations. Changes to the funding methodology for the Fire Fund are in the process of approval, but will not impact the fund's revenues until fiscal year 2017-18.

Proprietary Funds

The **Water and Sewer District** experienced an increase in net position of \$7,633,183 compared to prior year's increase of \$5,311,004. Operating revenues of \$31,562,736 less operating expenses of \$26,212,466 resulted in operating income of \$5,350,270. Operating revenues increased 10% from prior year due to increased water consumption and the phased in increase in rates as part of a five-year rate plan. Operating expenses increased 8% due to an increase in personal services and other services and charges. The increases were mainly attributed to health insurance, retirement costs and repairs and maintenance. A wastewater treatment plant was also decommissioned during the year. Non-operating Revenues (Expenses) decreased 9% due to a decline in interest expense and a loss on assets over the prior year. The capital asset Buildings for Business-Type activities increased by \$5 million due to the purchase of a new administration building.

Aviation Operations experienced an increase in net position of \$1,908,711. Operating revenues of \$1,849,576 less operating expenses of \$2,443,244 resulted in an operating loss of \$593,668. Operating revenue increased 11% from prior year due to an increase in land and building leases. Operating expenses increased 10% from the prior year. The operating loss was offset by \$2,817,049 received in Capital Grants and Contributions, which was mainly comprised of grants received to construct airport hangars at the Hernando County Airport.

The **Waste Management** fund had an increase in net position of \$2,087,076 compared to prior year's increase of \$4,752,672. This is mainly due to an increase in the estimated long term care costs of the landfill. These costs may vary based upon the most recent information available when determining the cost estimates.

Building Department experienced an increase in net position of \$317,214 compared to prior year's increase of \$390,663. Operating Revenues increased 16% from the prior year due to an increase in Licenses and Permits revenue.

Operating Expenses increased 26% from the prior year due to remodeling to provide a more efficient workspace. This resulted in operating loss of \$244,552.

BUDGETARY HIGHLIGHTS – GENERAL FUND

Budget and actual comparison statements are provided in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for the General Fund and all major special revenue funds with annually appropriated budgets. See page 12 of this report for the financial statement discussed below. This statement shows the original budget, final budget, actual amounts, and the variances between actual and final budgeted amounts. Budget amendments are approved throughout the year. Budgets are revised for a variety of reasons, such as new grant awards, unanticipated revenue sources, new bond or loan proceeds, unforeseen expenditures, etc. Below are a variety of explanations of the notable variances between the original and final budget, and the final budget and actual amounts in the General Fund:

- Actual ad-valorem taxes collected for the General Fund were 2% higher than budgeted. For fiscal year 2015-16, ad-valorem taxes were budgeted at 95% of the total collectible balance to allow for delinquencies and non-payment of taxes.
- Intergovernmental revenue sources were 14% less than budgeted due in part to the manner in which grant funds are budgeted. Grants that may extend over multiple years are budgeted in full the first year and are reduced each year by the amount of grant funds previously recognized. This causes a variance between the budgeted and actual grant activity.
- Charges for Services revenue was 8% higher than budget. A portion of this increase is due to additional recording fees received by the Clerk of Court & Comptroller relating to the remaining sinkhole claim reports filed by Citizens Property Insurance. In 2015-16 the Clerk received approval to process passports at its satellite location in Spring Hill resulting in \$26,000 in additional revenue.
- Interest revenue was 40% higher than budget due to yields on investments averaging 40% higher in fiscal year 2015-16.
- Miscellaneous revenue was 12% higher than budget due to funds received by the County from the sale of surplus land.
- The original budget for Culture & Recreation expenditures increased 9% due to unexpected facilities maintenance costs for building improvements of \$115,000, uncapitalized equipment and various operating costs.
- The original budget for Capital Outlay expenditures increased 114% due to the budgeting of grant-related expenditures for mass transit of \$1 million as well as an increase in capital outlay costs for the Sheriff.
- The original budget for Transfers In increased 70% due to a budgeted transfer to various board departments for the adjustment to the lease payments for vehicles from an Internal Service Fund.
- Actual expenditures for General Government were 6% less than budgeted due to personal, professional and contract services being under budget by \$590,000. In addition, other operating costs including utilities, repairs and maintenance costs and insurance premiums were under budget.
- Actual expenditures for Public Safety were 4% less than budgeted mainly due to the County budgeting for a \$918,000 grant to retrofit shelters at multiple school buildings. Work on this grant is now anticipated for fiscal year 2016-17. There were also personnel vacancies and less overtime incurred by the personnel of the Sheriff's office.
- Actual expenditures for Transportation were 23% less than budgeted mainly due to contract services for the administration and operation of the mass transit system being under budget. Contract costs are tied to revenue generated by the system. New transit routes were added in January which was slightly later than initially anticipated. In addition, the maintenance costs relating to the buses were lower than expected.

- Actual expenditures for Economic Environment were 57% less than the final budget due to decline in applicants who met the qualifications of the Neighborhood Stabilization Program. This grant-funded program provides assistance for down payments and rehabilitation costs of homes for citizens who meet the program qualifications.
- Actual expenditures for Culture and Recreation were 14% less than the final budget due to various operating expenses, including utilities, repairs and maintenance and insurance premiums, being less than anticipated. Personal and contract services were \$209,000 less than budgeted.
- Actual expenditures for Capital Outlay were 33% less than budgeted for 2015-16 due to a delay in expenditures for vehicles and equipment for the mass transit system.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Hernando County's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$606,002,067 net of accumulated depreciation. This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, equipment, construction in progress and intangible assets. The total increase in Hernando County's investment in capital assets from the prior year was 3% which is comprised of a 0.05% increase for governmental activities and a 7% increase for business-type activities.

Following is a schedule of the County's capital assets, net of accumulated depreciation, as of September 30, 2015 and 2016:

	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Land	\$ 29,510,792	\$ 29,338,729	\$ 8,380,601	\$ 10,200,561	\$ 37,891,393	\$ 39,539,290
Buildings	91,150,404	88,122,352	10,340,152	15,130,272	101,490,556	103,252,624
Infrastructure	186,572,284	188,778,346	2,255,242	2,184,191	188,827,526	190,962,537
Improvements other than Buildings	11,703,478	11,324,390	187,659,401	184,784,195	199,362,879	196,108,585
Equipment	18,062,408	20,583,373	3,031,794	2,981,236	21,094,202	23,564,609
Construction in Progress	1,684,905	496,573	36,995,284	51,416,874	38,680,189	51,913,447
Intangible Assets	<u>784,874</u>	<u>660,975</u>	<u>-</u>	<u>-</u>	<u>784,874</u>	<u>660,975</u>
Total	\$ <u>339,469,145</u>	\$ <u>339,304,738</u>	\$ <u>248,662,474</u>	\$ <u>266,697,329</u>	\$ <u>588,131,619</u>	\$ <u>606,002,067</u>

Additional information on Hernando County's capital assets can be found in Note F to the basic financial statements. The increase in capital asset activity for 2016 occurred in the Governmental Activities primarily due to the completion of construction projects which contributed to the increases in Infrastructure and Equipment. For Business-Type Activities, Improvements other than buildings, Infrastructure and Equipment decreased due to depreciation. There was an increase in capital asset activity relating to Construction in Progress in fiscal year 2016 and an increase of \$4,790,120 in Buildings, mostly associated with the purchase of a new administration building by the Water and Sewer District.

Debt Administration

Loans and notes payable amounted to \$87,591,012 of which \$29,852,217 is for Governmental Activities and \$57,738,795 is for Business-Type Activities. Loans for business-type activities include \$55,796,067 of financing from the State Revolving Loan program for water & sewer improvement projects.

Hernando County had total bonded debt outstanding of \$39,912,773. All of these bonds represent bonds secured solely by specified non-ad valorem revenue sources (i.e., revenue bonds).

Following is the activity of combined governmental and business-type debt for the fiscal year ended September 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance
Loans & Notes Payable	\$ 72,205,889	\$ 19,190,217	3,805,094	87,591,012
Leases Payable	54,143	-	54,143	-
Revenue Bonds	43,546,254	-	3,633,481	39,912,773
	<u>\$ 115,806,286</u>	<u>\$ 19,190,217</u>	<u>7,492,718</u>	<u>127,503,785</u>

The County traditionally insured its bonded debt, and consequently, the County’s bonds have historically maintained an insured rating of “Aaa” from Moody’s and “AAA” from Standard & Poor’s and Fitch. The County also obtained underlying ratings during the issuance of three of its bonds. In addition to insuring the Capital Improvement and Refunding Revenue Bonds, Series 2004, the County obtained an original underlying rating of “A-” from Standard & Poor’s and “A2” from Moody’s. In addition to insuring the Non-Ad Valorem Refunding Revenue Bonds, Series 2010, the County obtained an original underlying rating of “A” from Standard & Poor’s and “A2” from Moody’s. In addition to insuring the Water and Sewer Refunding Revenue Bonds, Series 2013A, the County obtained an original underlying rating of “AA-” from Fitch, “Aa3” from Moody’s, and “A+” from Standard & Poor’s.

Following are the County’s underlying ratings as of September 30, 2016:

	Moody’s	Fitch	S&P
Capital Improvement and Refunding Revenue Bonds, Series 2004	Aa3	NR	A+
Non-Ad Valorem Refunding Revenue Bonds, Series 2010	Aa3	NR	A+
Water and Sewer Refunding Revenue Bonds, Series 2013A	Aa3	AA-	AA-

NR represents No Rating. Additional information on Hernando County’s long-term debt can be found in Note H to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Local, state and national economic factors influence the County’s revenues in a variety of ways. Positive economic growth correlates with increased revenues from property taxes, sales taxes, fuel taxes, charges for services, state revenue sharing as well as state and federal grants. Depressed economic growth correlates with decreases in the same revenue sources.

Economic growth may be measured by a variety of indicators such as employment growth, unemployment, new construction and assessed values, diversification of the property tax base, enterprise fund revenue and net asset growth.

- Hernando County’s population grew from 157,006 in 2006 to 179,503 in 2016, a 14% increase over a period of 10 years.

- Unemployment in Hernando County decreased to an average of 6.2% and the County's personal income per capita increased slightly to \$33,666 in 2015, the most recent year available.
- Total taxable property value has decreased 23% over the last 10 years and increased 6% over tax year 2013, which was the lowest taxable value in recent history.
- Residential development has experienced a significant decrease in prior years over the staggering growth rates of the previous years. During this same time period, commercial development has not experienced decreases as significant. Many large residential projects considered a "Development of Regional Impact," or DRI, have been approved by the Board and the State of Florida over the last five years. When the economy improves, these developments will commence and have a significantly positive impact on the County. The number of building permits issued in 2015-16 increased 4% from prior year.

For fiscal year 2015-16 budget, taxable property values increased \$200 million or 2.8% to approximately \$7.384 billion. The General Fund millage was 6.9912. The increase in property values meant an additional \$1.4 million in revenue to the General Fund. Due to the increase in property values, the County was able to maintain the same millage rate as the previous year. During fiscal year 2015-16, the Zoning Department, previously an Enterprise Fund, was moved into the General Fund.

For fiscal year 2016-17 budget, taxable property values increased \$301 million or 4.1% to approximately \$7.685 billion. The General Fund millage is 6.9912. The increase in property values means an additional \$2.1 million in revenue to the General Fund. Due to the increase in property values, the County was able to maintain the same millage rate as the previous year. A 19% increase in the insurance premiums resulted in a \$376,000 impact to the General Fund and the County opened a Wellness Center, transferring \$454,000 out of the General Fund for their proportionate share.

The County has continued to meet its General Fund fund balance reserve requirements of 18.5% (See Note A, Governmental Fund Balance Classification) since adoption of the policy, and is anticipating the same for fiscal year 2017-18. For fiscal year 2016-17, in addition to the 18.5% reserve requirement in the General Fund which equates to approximately \$14 million, the County set aside \$3 million to meet Other Post Employment Benefit (OPEB) obligations.

TO OBTAIN FURTHER INFORMATION

This financial report was designed to provide an overview of the County's finances. If you have any questions concerning budgets, long-term financial planning, or other subjects related to the management of County operations, please contact the County Administrator at:

Hernando County
 20 N Main Street
 Brooksville, Florida 34601
 (352) 754-4000
 administration@hernandocounty.us

If you have any questions concerning financial reports or other accounting information in this report, please contact the Office of the Clerk and Comptroller, Director of Financial Services at:

Hernando County
 20 N. Main Street
 Brooksville, Florida 34601
 (352) 754-4201
 clerkfinance@hernandoclerk.org

It is also suggested you visit our website at www.hernandocounty.us for general information about the County, and www.hernandoclerk.com for additional financial information.



Basic Financial Statements

HERNANDO COUNTY, FLORIDA
STATEMENT OF NET POSITION
September 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 8,406,895	\$ 193,136	\$ 8,600,031
Pooled Cash and Investments	101,415,842	65,303,897	166,719,739
Cash with Fiscal Agent	5,804,433	1,693,871	7,498,304
Accounts Receivable (net)	2,776,299	4,042,417	6,818,716
Internal Balances	(3,298,838)	3,298,838	-
Due from Other Governments	4,757,349	3,604,962	8,362,311
Inventories	39,989	334,903	374,892
Prepaid Items	768,465	23,111	791,576
Capital Assets, net of accumulated depreciation:			
Land	29,338,729	10,200,561	39,539,290
Buildings	88,122,352	15,130,272	103,252,624
Infrastructure	188,778,346	2,184,191	190,962,537
Improvements Other than Buildings	11,324,390	184,784,195	196,108,585
Equipment	20,583,373	2,981,236	23,564,609
Construction in Progress	496,573	51,416,874	51,913,447
Intangible Assets	660,975	-	660,975
Prepaid Bond Insurance	-	55,664	55,664
Total Assets	\$ 459,975,172	\$ 345,248,128	\$ 805,223,300
Deferred Outflows of Resources	\$ 50,341,515	\$ 4,872,635	\$ 55,214,150
LIABILITIES			
Accounts Payable	4,613,805	1,731,673	6,345,478
Retainage Payable	181,245	-	181,245
Accrued Liabilities	3,367,721	1,628,164	4,995,885
Due to Other Governments	732,542	44,328	776,870
Unearned Revenue	2,105,177	370,179	2,475,356
Deposits	293,118	3,387,131	3,680,249
Payable from Restricted Assets:			
Accounts Payable	-	2,635,748	2,635,748
Retainage Payable	-	672,143	672,143
Non-Current Liabilities:			
Due Within One Year:			
Loans & Notes Payable	2,605,115	1,339,552	3,944,667
Bonds Payable	1,272,643	2,483,783	3,756,426
Compensated Absences	6,639,642	722,673	7,362,315
Claims Liabilities	2,932,042	-	2,932,042
Due In More Than One Year:			
Loans & Notes Payable	27,247,102	56,399,243	83,646,345
Bonds Payable	2,691,440	33,464,907	36,156,347
Compensated Absences	913,833	71,473	985,306
Other Post Employment Benefits	9,057,923	856,767	9,914,690
Net Pension Liability	114,033,132	7,917,107	121,950,239
Claims Liabilities	650,000	-	650,000
Unearned Revenue	-	1,488,348	1,488,348
Accrued Landfill Closure/Postclosure	-	4,355,651	4,355,651
Total Liabilities	\$ 179,336,480	\$ 119,568,870	\$ 298,905,350

The notes to the financial statements are an integral part of this statement.

HERNANDO COUNTY, FLORIDA
STATEMENT OF NET POSITION
September 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred Inflows of Resources	\$ 4,396,732	\$ 247,331	\$ 4,644,063
NET POSITION			
Net Investment in Capital Assets	\$ 306,373,129	\$ 175,885,969	\$ 482,259,098
Restricted for:			
Grant Funded Programs	895,840		895,840
Court Programs	5,378,738		5,378,738
Special Assessment Projects	321,087		321,087
Environment Conservation	11,193,547		11,193,547
Bond Covenants or Debt Service	1,475,476		1,475,476
Public Safety	10,839,707		10,839,707
Capital Projects	28,900,729	8,718,447	37,619,176
Renewal and Replacement		4,034,245	4,034,245
Other Purposes	3,470,846		3,470,846
Unrestricted (Deficit)	<u>(42,265,624)</u>	<u>41,665,901</u>	<u>(599,723)</u>
Total Net Position	<u>\$ 326,583,475</u>	<u>\$ 230,304,562</u>	<u>\$ 556,888,037</u>



HERNANDO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2016

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Business-type	Total
					Activities	Activities	
Governmental Activities:							
General Government	\$ 24,582,691	\$ 12,049,578	\$ 2,500	\$ 468,949	\$ (12,061,664)	\$ -	\$ (12,061,664)
Public Safety	86,581,625	31,167,565	449,828	293,168	(54,671,064)	-	(54,671,064)
Physical Environment	1,230,350	345,018	6,196	-	(879,136)	-	(879,136)
Transportation	23,236,377	5,398,087	2,705,656	584,849	(14,547,785)	-	(14,547,785)
Economic Environment	3,095,345	17	911,513	-	(2,183,815)	-	(2,183,815)
Human Services	7,274,535	250,202	33,012	73,597	(6,917,724)	-	(6,917,724)
Culture and Recreation	5,715,518	915,062	417,864	356,971	(4,025,621)	-	(4,025,621)
Court Operations	6,772,680	4,832,250	408,449	-	(1,531,981)	-	(1,531,981)
Interest on Long-term Debt	1,037,630	-	-	-	(1,037,630)	-	(1,037,630)
Total Governmental Activities	159,526,751	54,957,779	4,935,018	1,777,534	(97,856,420)	-	(97,856,420)
Business-type Activities:							
Water and Sewer District	27,672,539	31,031,533	85,125	2,489,020	-	5,933,139	5,933,139
Aviation Operations	2,567,431	1,806,441	8,406	2,817,049	-	2,064,465	2,064,465
Waste Management	6,446,772	7,653,166	-	-	-	1,206,394	1,206,394
Building Department	2,786,446	2,970,147	-	-	-	183,701	183,701
Total Business-type Activities	39,473,188	43,461,287	93,531	5,306,069	-	9,387,699	9,387,699
Total	\$ 198,999,939	\$ 98,419,066	\$ 5,028,549	\$ 7,083,603	(97,856,420)	9,387,699	(88,468,721)
General Revenues:							
Property Taxes					61,571,869	-	61,571,869
Fuel Taxes					8,146,046	-	8,146,046
Sales Tax					9,100,041	-	9,100,041
Other Taxes					2,559,915	-	2,559,915
State Shared Revenue - Unrestricted					4,889,134	-	4,889,134
Investment Earnings					1,437,246	701,309	2,138,555
Gain on Sale of Capital Assets					348,854	28,086	376,940
Miscellaneous					1,377,544	818,072	2,195,616
Transfers					(997,512)	997,512	-
Total General Revenues and Transfers					88,433,137	2,544,979	90,978,116
Change in Net Position					(9,423,283)	11,932,678	2,509,395
Net Position - Beginning					336,006,758	218,371,884	554,378,642
Net Position - Ending					\$ 326,583,475	\$ 230,304,562	\$ 556,888,037

The notes to the financial statements are an integral part of this statement.

HERNANDO COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

ASSETS	General Fund	Transportation Trust and Gas Taxes	Impact Fees Capital Project Fund
Cash and Cash Equivalents	\$ 3,312,348	\$ 395	\$ -
Pooled Cash and Investments	17,368,553	23,818,126	9,348,586
Cash with Fiscal Agent	-	347,516	134,613
Accounts Receivable (net)	331,987	11,625	-
Due from Other Funds	180,557	79,129	-
Due from Other Governments	2,361,016	1,784,331	952
Advances to Other Funds	4,200,000	-	-
Inventories	-	-	-
Prepaid Items	369,844	-	-
Total Assets	\$ 28,124,305	\$ 26,041,122	\$ 9,484,151
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 1,441,360	\$ 712,244	\$ 81,173
Retainage Payable	74,356	90,000	6,958
Accrued Liabilities	2,030,211	105,995	-
Due to Other Funds	516,257	-	-
Due to Other Governments	241,995	-	-
Unearned Revenue	167,876	-	1,514,620
Deposits	133,860	1,148	-
Advances from Other Funds	-	-	-
Total Liabilities	<u>4,605,915</u>	<u>909,387</u>	<u>1,602,751</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>844,103</u>	<u>800,565</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Advances	4,200,000	-	-
Inventories	-	-	-
Prepaid Items	369,844	-	-
Restricted for:			
Grant Funded Programs	341,171	-	-
Court Programs	-	-	-
Special Assessment Projects	-	-	-
Environment Conservation	-	-	-
Bond covenants or debt service	-	88,572	-
Public Safety	-	-	-
Capital Projects	-	18,941,946	7,881,400
Other Purposes	-	-	-
Committed to:			
Budgeted Emergency and Contingency Reserves	2,674,181	-	-
Budgeted Stabilization Reserves	2,646,158	-	-
Other Purposes	-	-	-
Assigned to:			
Economic Development	-	-	-
Capital Projects	-	5,300,652	-
Budgeted Post Employment Reserves	3,000,000	-	-
Other Purposes	-	-	-
Unassigned	9,442,933	-	-
Total Fund Balances	<u>22,674,287</u>	<u>24,331,170</u>	<u>7,881,400</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 28,124,305	\$ 26,041,122	\$ 9,484,151

The notes to the financial statements are an integral part of this statement.

Hernando County Fire Rescue-Fire	Nonmajor Governmental Funds	Total Governmental Funds
\$ 150	\$ 4,893,282	\$ 8,206,175
4,190,535	32,783,703	87,509,503
-	-	482,129
4,187	2,359,624	2,707,423
257,393	113,074	630,153
12,616	598,385	4,757,300
-	-	4,200,000
-	1,800	1,800
9,507	45,887	425,238
\$ 4,474,388	\$ 40,795,755	\$ 108,919,721

\$ 56,080	\$ 563,014	\$ 2,853,871
-	9,931	181,245
351,261	291,106	2,778,573
-	530,760	1,047,017
-	490,547	732,542
-	64,015	1,746,511
-	158,110	293,118
3,750,000	532,000	4,282,000
4,157,341	2,639,483	13,914,877
-	1,363,405	3,008,073

-	-	4,200,000
-	1,800	1,800
9,507	45,887	425,238
-	500,859	842,030
-	5,378,738	5,378,738
-	321,087	321,087
-	11,193,547	11,193,547
-	1,386,904	1,475,476
307,540	9,200,984	9,508,524
-	1,317,303	28,140,649
-	3,394,755	3,394,755
-	-	2,674,181
-	-	2,646,158
-	1,247,224	1,247,224
-	1,843,905	1,843,905
-	849,168	6,149,820
-	-	3,000,000
-	110,706	110,706
-	-	9,442,933
317,047	36,792,867	91,996,771
\$ 4,474,388	\$ 40,795,755	\$ 108,919,721



HERNANDO COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2016

Fund Balances - Total Governmental Funds \$ 91,996,771

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Governmental Capital Assets	\$ 511,662,726	
Less Accumulated Depreciation	(183,905,268)	327,757,458

Unearned revenue and deferred outflows of resources are not available to pay for current-period expenditures and are therefore not reported in the governmental funds:

Unearned Revenue	\$ 3,008,073	
Deferred Charges on Debt Refunding	884,691	
Deferred Charges on Pension	49,196,020	53,088,784

Long-term liabilities are not due and payable in the current period, and therefore are not reported in the governmental funds:

Accrued Liabilities - Interest	\$ (192,619)	
Loans and Notes Payable	(29,852,217)	
Bonds Payable	(3,964,083)	
Compensated Absences	(7,493,582)	
Other Post Employment Benefits	(8,994,554)	
Net Pension Liability	(113,394,756)	(163,891,811)

Deferred inflows of resources apply fo a future period and will not be recognized as revenue until then:

Deferred Revenue on Pension	(4,385,566)
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Internal Service Funds are used by management to charge the costs of certain activities to the individual funds:

Net position of the Internal Service Funds that is reported in the Governmental Activities portion of the Statement of Net Position.	24,815,994
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Accumulated net position of the Internal Service Funds is allocated between governmental activities and business-type activities. Internal Service Fund net position allocated to business-type activities.	(2,798,155)

Net Position of Governmental Activities **\$ 326,583,475**

The notes to the financial statements are an integral part of this statement.

HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2016

	<u>General Fund</u>	<u>Transportation Trust and Gas Taxes</u>	<u>Impact Fees Capital Project Fund</u>
Revenues			
Taxes	\$ 51,800,500	\$ 13,054,857	\$ -
Licenses and Permits	363,882	1,455	-
Intergovernmental	17,392,796	3,369,244	-
Charges for Services	10,791,186	933,684	-
Fines and Forfeitures	76,420	-	-
Special Assessments	-	-	-
Impact Fees	-	-	1,299,423
Interest	402,933	329,150	80,534
Miscellaneous	1,507,647	103,161	-
	<hr/>	<hr/>	<hr/>
Total Revenues	82,335,364	17,791,551	1,379,957
Expenditures			
Current			
General Government	19,799,462	-	-
Public Safety	44,253,671	-	5,135
Physical Environment	264,339	-	-
Transportation	2,039,001	11,720,849	-
Economic Environment	468,929	-	-
Human Services	4,047,107	-	-
Culture and Recreation	4,651,780	87	-
Court Operations	1,223,902	-	-
Debt Service			
Principal	469,465	-	-
Interest and Fiscal Charges	116,433	-	-
Capital Outlay	2,764,664	8,057,245	1,269,018
	<hr/>	<hr/>	<hr/>
Total Expenditures	80,098,753	19,778,181	1,274,153
Excess of Revenues Over (Under) Expenditures	<hr/> 2,236,611	<hr/> (1,986,630)	<hr/> 105,804
Other Financing Sources (Uses)			
Transfers In	1,192,360	1,784,881	-
Transfers Out	(4,092,519)	(2,845,631)	(486,512)
Additions to Long-Term Debt	-	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(2,900,159)	(1,060,750)	(486,512)
Net Change in Fund Balances	<hr/> (663,548)	<hr/> (3,047,380)	<hr/> (380,708)
Fund Balances at Beginning of Year	23,337,835	27,378,550	8,262,108
Fund Balances at End of Year	<hr/> \$ 22,674,287 <hr/>	<hr/> \$ 24,331,170 <hr/>	<hr/> \$ 7,881,400 <hr/>

The notes to the financial statements are an integral part of this statement.

Hernando County Fire Rescue-Fire	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 7,259,998	\$ 72,115,355
80,717	-	446,054
61,850	3,091,781	23,915,671
93,780	14,584,488	26,403,138
84	1,466,725	1,543,229
18,261,329	2,142,799	20,404,128
-	-	1,299,423
88,527	380,218	1,281,362
200,502	741,538	2,552,848
<hr/>	<hr/>	<hr/>
18,786,789	29,667,547	149,961,208
<hr/>	<hr/>	<hr/>
-	1,471,668	21,271,130
22,241,916	12,206,586	78,707,308
-	829,879	1,094,218
-	1,171,821	14,931,671
-	2,562,444	3,031,373
-	1,472,558	5,519,665
-	106,211	4,758,078
-	5,360,809	6,584,711
-	-	-
122,537	3,262,223	3,854,225
24,543	836,679	977,655
-	1,384,628	13,475,555
<hr/>	<hr/>	<hr/>
22,388,996	30,665,506	154,205,589
<hr/>	<hr/>	<hr/>
(3,602,207)	(997,959)	(4,244,381)
<hr/>	<hr/>	<hr/>
1,103,857	6,907,768	10,988,866
(143,409)	(1,901,241)	(9,469,312)
-	756,845	756,845
<hr/>	<hr/>	<hr/>
960,448	5,763,372	2,276,399
<hr/>	<hr/>	<hr/>
(2,641,759)	4,765,413	(1,967,982)
<hr/>	<hr/>	<hr/>
2,958,806	32,027,454	93,964,753
<hr/>	<hr/>	<hr/>
\$ 317,047	\$ 36,792,867	\$ 91,996,771



HERNANDO COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (1,967,982)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report Capital Outlays as Expenditures. In the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives. Donations of Capital Assets are not financial resources to Governmental Funds, however increase net position in the Statement of Activities. Governmental Funds report the sale of Capital Assets as a financial resource, however in the Statement of Activities, only the gain/loss on the sale is reported:

Expenditures for Capital Assets	\$	13,455,533	
Less current year depreciation		(15,487,769)	
Donation of Capital Assets		177,231	
Capital Asset Disposals		<u>(92,459)</u>	(1,947,464)

Additions to Long-Term Debt provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal and payments to refunding escrow agents are expenditures/other financing uses in the Governmental Funds, but reduce long-term liabilities in the Statement of Net Position:

Additions to Long-Term Debt		(756,845)	
Principal Payments		<u>3,854,225</u>	3,097,380

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds:

Decrease in Accrued Interest on Long-Term Debt	\$	5,427	
Amortization of current year Bond Discount/Premium		14,698	
Amortization of current year Prepaid Bond Insurance		(80,101)	
Decrease in Compensated Absences		331,415	
Increase in Accrued Other Post Employment Benefits		(900,032)	
Increase in Pension Expenses		<u>(6,371,987)</u>	(7,000,580)

Some revenues reported in the Statement of Activities do not provide a current financial resource, and therefore are not reported as revenue in the Governmental Funds:

Change in earned revenue from grants and contributions		163,578	
Change in earned revenue from charges for services		200,397	
Change in earned revenue from taxes		<u>(24)</u>	363,951

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. A portion of the Change in Net Position of the Internal Service Funds is reported within Governmental Activities.

(1,968,588)

Change in Net Position of Governmental Activities **\$ (9,423,283)**

The notes to the financial statements are an integral part of this statement.

HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 51,014,466	\$ 51,014,466	\$ 51,800,500	\$ 786,034
Licenses and Permits	325,340	325,340	363,882	38,542
Intergovernmental	17,600,210	20,128,787	17,392,796	(2,735,991)
Charges for Services	10,207,405	10,007,405	10,791,186	783,781
Fines and Forfeitures	81,360	81,360	76,420	(4,940)
Interest	287,700	287,700	402,933	115,233
Miscellaneous	1,253,707	1,347,318	1,507,647	160,329
	80,770,188	83,192,376	82,335,364	(857,012)
Expenditures				
Current				
General Government	20,543,118	20,976,490	19,799,462	1,177,028
Public Safety	45,520,637	45,880,816	44,253,671	1,627,145
Physical Environment	300,853	280,618	264,339	16,279
Transportation	2,713,830	2,642,597	2,039,001	603,596
Economic Environment	1,026,888	1,096,607	468,929	627,678
Human Services	4,268,653	4,388,912	4,047,107	341,805
Culture and Recreation	4,940,298	5,388,482	4,651,780	736,702
Court Operations	1,227,129	1,235,056	1,223,902	11,154
Debt Service				
Principal	469,472	469,471	469,465	6
Interest and Fiscal Charges	78,934	116,434	116,433	1
Capital Outlay	1,915,406	4,104,093	2,764,664	1,339,429
	83,005,218	86,579,576	80,098,753	6,480,823
Excess of Revenues Over Expenditures	(2,235,030)	(3,387,200)	2,236,611	5,623,811
Other Financing Sources (Uses)				
Transfers In	822,163	1,393,164	1,192,360	(200,804)
Transfers Out	(2,953,359)	(2,724,046)	(4,092,519)	(1,368,473)
Reserve for Contingencies	(17,474,977)	(17,213,321)	-	17,213,321
	(19,606,173)	(18,544,203)	(2,900,159)	15,644,044
Net Change in Fund Balance	(21,841,203)	(21,931,403)	(663,548)	21,267,855
Fund Balance at Beginning of Year	22,936,946	23,337,835	23,337,835	-
Fund Balance at End of Year	\$ 1,095,743	\$ 1,406,432	\$ 22,674,287	\$ 21,267,855

The notes to the financial statements are an integral part of this statement.

HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRANSPORTATION TRUST AND GAS TAXES
For the Fiscal 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	\$ 12,301,676	\$ 13,189,876	\$ 13,054,857	\$ (135,019)
Licenses and Permits	1,000	1,000	1,455	455
Intergovernmental	2,752,200	7,846,924	3,369,244	(4,477,680)
Charges for Services	950,155	1,001,155	933,684	(67,471)
Special Assessments	115,000	190,400	329,150	138,750
Interest	57,500	87,635	103,161	15,526
Total Revenues	<u>16,177,531</u>	<u>22,316,990</u>	<u>17,791,551</u>	<u>(4,525,439)</u>
Expenditures				
Current				
Transportation	12,895,829	12,846,224	11,720,849	1,125,375
Culture and Recreation	-	60,000	87	59,913
Capital Outlay	14,147,362	16,023,236	8,057,245	7,965,991
Total Expenditures	<u>27,043,191</u>	<u>28,929,460</u>	<u>19,778,181</u>	<u>9,151,279</u>
Excess of Revenues Over Expenditures	<u>(10,865,660)</u>	<u>(6,612,470)</u>	<u>(1,986,630)</u>	<u>4,625,840</u>
Other Financing Sources (Uses)				
Transfers In	2,005,000	3,694,108	1,784,881	(1,909,227)
Transfers Out	(731,998)	(3,046,436)	(2,845,631)	200,805
Reserve for Contingencies	(18,707,137)	(21,849,599)	-	21,849,599
Total Other Financing Sources (Uses)	<u>(17,434,135)</u>	<u>(21,201,927)</u>	<u>(1,060,750)</u>	<u>20,141,177</u>
Net Change in Fund Balance	<u>(28,299,795)</u>	<u>(27,814,397)</u>	<u>(3,047,380)</u>	<u>24,767,017</u>
Fund Balance at Beginning of Year	<u>28,299,795</u>	<u>27,814,397</u>	<u>27,378,550</u>	<u>(435,847)</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,331,170</u>	<u>\$ 24,331,170</u>

The notes to the financial statements are an integral part of this statement.

HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HERNANDO COUNTY FIRE RESCUE - FIRE
For the Fiscal 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				
Licenses and Permits	\$ 53,259	\$ 53,259	\$ 80,717	\$ 27,458
Intergovernmental	58,005	53,000	61,850	8,850
Charges for Services	99,000	99,000	93,780	(5,220)
Fines and Forfeitures	-	-	84	84
Special Assessments	19,035,512	18,103,431	18,261,329	157,898
Interest	225,612	34,784	88,527	53,743
Miscellaneous	-	163,318	200,502	37,184
	<u>19,471,388</u>	<u>18,506,792</u>	<u>18,786,789</u>	<u>279,997</u>
Total Revenues				
	<u>19,471,388</u>	<u>18,506,792</u>	<u>18,786,789</u>	<u>279,997</u>
Expenditures				
Current				
Public Safety	22,669,622	23,038,071	22,241,916	796,155
Debt Service				
Principal	122,537	1,054,944	122,537	932,407
Interest and Fiscal Charges	24,544	199,544	24,543	175,001
Capital Outlay	61,800	621,800	-	621,800
	<u>22,878,503</u>	<u>24,914,359</u>	<u>22,388,996</u>	<u>2,525,363</u>
Total Expenditures				
	<u>22,878,503</u>	<u>24,914,359</u>	<u>22,388,996</u>	<u>2,525,363</u>
Excess of Revenues Over Expenditures	<u>(3,407,115)</u>	<u>(6,407,567)</u>	<u>(3,602,207)</u>	<u>2,805,360</u>
Other Financing Sources (Uses)				
Transfers In	436,500	998,099	1,103,857	105,758
Transfers Out	(181,659)	(143,409)	(143,409)	-
Additions to Long-term Debt	-	5,000,000	-	(5,000,000)
Reserve for Contingencies	(1,283,960)	(2,405,929)	-	2,405,929
	<u>(1,029,119)</u>	<u>3,448,761</u>	<u>960,448</u>	<u>(2,488,313)</u>
Total Other Financing Sources (Uses)				
	<u>(1,029,119)</u>	<u>3,448,761</u>	<u>960,448</u>	<u>(2,488,313)</u>
Net Change in Fund Balance	<u>(4,436,234)</u>	<u>(2,958,806)</u>	<u>(2,641,759)</u>	<u>317,047</u>
Fund Balance at Beginning of Year	4,436,234	2,958,806	2,958,806	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,047</u>	<u>\$ 317,047</u>

The notes to the financial statements are an integral part of this statement.



HERNANDO COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016

	Business-Type		
	Water & Sewer District	Aviation Operations	Waste Management
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 190,471	\$ 200	\$ 1,665
Pooled Cash and Investments	22,869,443	1,118,146	17,575,144
Cash with Fiscal Agent	-	-	-
Restricted Cash and Investments:			
Pooled Cash and Investments	250,556	-	145
Accounts Receivable (net)	3,738,056	43,541	260,820
Due from Other Funds	351,036	-	67,647
Due from Other Governments	2,515,143	1,089,819	-
Advances to Other Funds	82,000	-	-
Inventories	324,912	-	9,991
Prepaid Expenses	-	-	23,111
Total Current Assets	30,321,617	2,251,706	17,938,523
Non-Current Assets			
Restricted Assets:			
Pooled Cash and Investments	13,771,651	-	7,322,818
Cash with Fiscal Agent	1,693,871	-	-
Capital Assets, net of accumulated depreciation:			
Land	7,872,349	209,611	1,903,601
Buildings	7,742,357	5,247,263	1,147,022
Infrastructure	-	2,184,191	-
Improvements Other Than Buildings	169,855,172	8,000,200	6,852,283
Equipment	2,434,476	59,795	467,605
Construction in Progress	47,124,331	4,085,103	207,440
Prepaid Bond Insurance	55,664	-	-
Total Non-Current Assets	250,549,871	19,786,163	17,900,769
Total Assets	\$ 280,871,488	\$ 22,037,869	\$ 35,839,292
Deferred Outflows of Resources	\$ 3,727,439	\$ 124,008	\$ 551,142
LIABILITIES			
Current Liabilities			
Accounts Payable	1,228,163	259,412	206,141
Accrued Liabilities	1,508,921	38,000	48,336
Due to Other Funds	-	-	-
Due to Other Governments	27,705	-	-
Unearned Revenues	311,671	58,508	-
Deposits	3,018,844	93,427	34,069
Loans & Notes Payable	1,061,782	277,770	-
Bonds Payable	2,483,783	-	-
Compensated Absences	474,561	37,569	120,106
Claims Liabilities	-	-	-
Payable from Restricted Assets:			
Accounts Payable	2,635,604	-	144
Retainage Payable	526,400	145,743	-
Total Current Liabilities	13,277,434	910,429	408,796

Activities - Enterprise Funds		Governmental
Building		Activities-
Department	Total	Internal
		Service Funds
\$ 800	\$ 193,136	\$ 200,720
2,395,994	43,958,727	13,906,339
-	-	5,322,304
-	250,701	-
-	4,042,417	68,876
-	418,683	2,286
-	3,604,962	49
-	82,000	-
-	334,903	38,189
-	23,111	343,227
<u>2,396,794</u>	<u>52,908,640</u>	<u>19,881,990</u>
-	21,094,469	-
-	1,693,871	-
215,000	10,200,561	-
993,630	15,130,272	1,587,165
-	2,184,191	-
76,540	184,784,195	-
19,360	2,981,236	9,960,115
-	51,416,874	-
-	55,664	-
<u>1,304,530</u>	<u>289,541,333</u>	<u>11,547,280</u>
<u>\$ 3,701,324</u>	<u>\$ 342,449,973</u>	<u>\$ 31,429,270</u>
<u>\$ 470,046</u>	<u>\$ 4,872,635</u>	<u>\$ 260,804</u>
37,957	1,731,673	1,759,934
32,907	1,628,164	396,529
-	-	4,105
16,623	44,328	-
-	370,179	358,666
240,791	3,387,131	-
-	1,339,552	-
-	2,483,783	-
90,437	722,673	54,502
-	-	2,932,042
-	2,635,748	-
-	672,143	-
<u>418,715</u>	<u>15,015,374</u>	<u>5,505,778</u>

Continued

**HERNANDO COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016**

	Business-Type		
	Water & Sewer District	Aviation Operations	Waste Management
Non-Current Liabilities			
Loans & Notes Payable	54,734,285	1,664,958	-
Bonds Payable	33,464,907	-	-
Compensated Absences	46,935	3,716	11,878
Other Post-Employment Benefits	590,291	31,943	128,511
Net Pension Liability	5,220,249	324,706	1,279,133
Claims Liabilities	-	-	-
Payable from Restricted Assets:			
Unearned Revenues	1,487,988	-	360
Accrued Landfill Closure/Postclosure Care	-	-	4,355,651
Total Non-Current Liabilities	<u>95,544,655</u>	<u>2,025,323</u>	<u>5,775,533</u>
Total Liabilities	<u>\$ 108,822,089</u>	<u>\$ 2,935,752</u>	<u>\$ 6,184,329</u>
Deferred Inflows of Resources	<u>\$ 169,603</u>	<u>\$ 11,352</u>	<u>\$ 33,850</u>
NET POSITION			
Net Investment in Capital Assets	146,160,053	17,843,435	10,577,951
Restricted for			
Capital Projects	8,718,447	-	-
Renewal and Replacement	4,034,245	-	-
Unrestricted	<u>16,694,490</u>	<u>1,371,338</u>	<u>19,594,304</u>
Total Net Position	<u>\$ 175,607,235</u>	<u>\$ 19,214,773</u>	<u>\$ 30,172,255</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds

Net Position of business-type activities

The notes to the financial statements are an integral part of this statement.

<u>Activities - Enterprise Funds</u>		<u>Governmental</u>
<u>Building</u>		<u>Activities -</u>
<u>Department</u>	<u>Total</u>	<u>Internal</u>
		<u>Service Funds</u>
-	56,399,243	-
-	33,464,907	-
8,944	71,473	5,391
106,022	856,767	63,369
1,093,019	7,917,107	638,376
-	-	650,000
-	1,488,348	-
-	4,355,651	-
<u>1,207,985</u>	<u>104,553,496</u>	<u>1,357,136</u>
<u>\$ 1,626,700</u>	<u>\$ 119,568,870</u>	<u>\$ 6,862,914</u>
<u>\$ 32,526</u>	<u>\$ 247,331</u>	<u>\$ 11,166</u>
1,304,530	175,885,969	11,547,280
-	8,718,447	-
-	4,034,245	-
<u>1,207,614</u>	<u>38,867,746</u>	<u>13,268,714</u>
<u>\$ 2,512,144</u>	<u>227,506,407</u>	<u>\$ 24,815,994</u>
	<u>2,798,155</u>	
	<u>\$ 230,304,562</u>	

HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2016

	Business-Type		
	Water & Sewer District	Aviation Operations	Waste Management
Operating Revenues			
Licenses and Permits	\$ 2,300	\$ -	\$ 28,000
Charges for Services	31,061,648	1,803,860	7,614,318
Miscellaneous	498,788	45,716	207,237
Total Operating Revenues	<u>31,562,736</u>	<u>1,849,576</u>	<u>7,849,555</u>
Operating Expenses			
Personal Services	8,116,910	414,812	2,232,889
Other Services & Charges	9,857,776	1,202,144	3,129,766
Claims	-	-	-
Depreciation	8,237,780	826,288	1,084,117
Total Operating Expenses	<u>26,212,466</u>	<u>2,443,244</u>	<u>6,446,772</u>
Operating Income (Loss)	<u>5,350,270</u>	<u>(593,668)</u>	<u>1,402,783</u>
Non-Operating Revenues (Expenses)			
Interest Income	362,002	23,538	290,603
Interest Expense	(1,638,856)	(74,516)	-
Operating Grants	85,125	8,406	-
Gain (Loss) on Sale of Capital Assets	(24,765)	22	52,811
Discontinued Project	-	(49,671)	-
Amortization of Bond Discount/Premium	178,783	-	-
Total Non-Operating Revenues (Expenses)	<u>(1,037,711)</u>	<u>(92,221)</u>	<u>343,414</u>
Income (Loss) Before Contributions and Transfers	<u>4,312,559</u>	<u>(685,889)</u>	<u>1,746,197</u>
Capital Grants and Contributions	2,489,020	2,817,049	-
Transfers In	831,604	20,127	340,879
Transfers Out	-	(242,576)	-
Total Contributions and Transfers	<u>3,320,624</u>	<u>2,594,600</u>	<u>340,879</u>
Change in Net Position	7,633,183	1,908,711	2,087,076
Net Position-Beginning	<u>167,974,052</u>	<u>17,306,062</u>	<u>28,085,179</u>
Net Position-Ending	<u>\$ 175,607,235</u>	<u>\$ 19,214,773</u>	<u>\$ 30,172,255</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds

Change in net position of business-type activities

The notes to the financial statements are an integral part of this statement.

Activities - Enterprise Funds		Governmental
Building		Activities -
Department	Total	Internal
		Service Funds
\$ 2,859,746	\$ 2,890,046	\$ -
104,921	40,584,747	26,394,839
66,331	818,072	387,826
<u>3,030,998</u>	<u>44,292,865</u>	<u>26,782,665</u>
1,758,089	12,522,700	971,842
980,592	15,170,278	9,584,826
-	-	14,498,141
47,765	10,195,950	1,697,622
<u>2,786,446</u>	<u>37,888,928</u>	<u>26,752,431</u>
<u>244,552</u>	<u>6,403,937</u>	<u>30,234</u>
25,166	701,309	155,884
-	(1,713,372)	-
-	93,531	-
18	28,086	348,854
-	(49,671)	-
-	178,783	-
<u>25,184</u>	<u>(761,334)</u>	<u>504,738</u>
<u>269,736</u>	<u>5,642,603</u>	<u>534,972</u>
-	5,306,069	-
47,478	1,240,088	22,675
-	(242,576)	(2,539,741)
<u>47,478</u>	<u>6,303,581</u>	<u>(2,517,066)</u>
317,214	11,946,184	(1,982,094)
<u>2,194,930</u>		<u>26,798,088</u>
<u>\$ 2,512,144</u>		<u>\$ 24,815,994</u>

(13,506)

\$ 11,932,678

**HERNANDO COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2016**

	Business-type	
	Water & Sewer District	Aviation Operations
Cash Flows from Operating Activities		
Receipts from Customers	\$ 36,697,385	\$ 1,213,436
Receipts from Inter-Fund Services	-	-
Payments to Suppliers	(13,983,433)	(1,200,869)
Payments to Employees	(7,864,203)	(400,983)
Claims Paid	-	-
Other Receipts	498,788	45,716
Net Cash provided by (used for) Operating Activities	<u>15,348,537</u>	<u>(342,700)</u>
Cash Flows from Noncapital Financing Activities		
Operating Grants	85,125	8,406
Transfers From Other Funds	831,604	20,127
Transfers to Other Funds	-	(242,576)
Net Cash Provided by (used for) Noncapital Financing Activities	<u>916,729</u>	<u>(214,043)</u>
Cash Flows from Capital and Related Financing Activities		
Additions to Capital Assets	(21,369,130)	(4,848,021)
Proceeds from Capital Debt	16,533,372	1,900,000
Principal Paid on Capital Debt	(3,140,742)	(304,271)
Interest Paid on Capital Debt	(2,048,885)	(47,777)
Capital Grants Revenue	-	2,817,049
Connection Fee Collections	2,177,798	-
Proceeds From Sale of Capital Assets	30,974	22
Net Cash provided by (used for) Capital and Related Financing Activities	<u>(7,816,613)</u>	<u>(482,998)</u>
Cash Flows from Investing Activities		
Interest Received	362,002	23,538
Net Cash Provided by Investing Activities	<u>362,002</u>	<u>23,538</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,810,655	(1,016,203)
Cash and Cash Equivalents at Beginning of Year	<u>29,965,337</u>	<u>2,134,549</u>
Cash and Cash Equivalents at End of Year	<u>\$ 38,775,992</u>	<u>\$ 1,118,346</u>
Classified as:		
Current Assets	23,059,914	1,118,346
Restricted Assets - Current	250,556	-
Restricted Assets - Non-current	<u>15,465,522</u>	<u>-</u>
Totals	<u>\$ 38,775,992</u>	<u>\$ 1,118,346</u>

Activities - Enterprise Funds			Governmental
Waste Management	Building Department	Total	Activities - Internal Service Funds
\$ 7,654,252	\$ 2,867,331	\$ 48,432,404	\$ 22,321,984
-	-	-	4,119,515
(3,680,881)	(976,103)	(19,841,286)	(11,022,877)
(2,183,257)	(1,722,616)	(12,171,059)	(551,847)
-	-	-	(15,324,026)
207,237	66,331	818,072	387,826
<u>1,997,351</u>	<u>234,943</u>	<u>17,238,131</u>	<u>(69,425)</u>
-	-	93,531	-
340,879	47,478	1,240,088	22,675
-	-	(242,576)	(2,539,741)
<u>340,879</u>	<u>47,478</u>	<u>1,091,043</u>	<u>(2,517,066)</u>
(895,449)	(26,759)	(27,139,359)	(3,480,679)
-	-	18,433,372	-
-	-	(3,445,013)	-
-	-	(2,096,662)	-
-	-	2,817,049	-
-	-	2,177,798	-
<u>24,517</u>	<u>18</u>	<u>55,531</u>	<u>348,854</u>
<u>(870,932)</u>	<u>(26,741)</u>	<u>(9,197,284)</u>	<u>(3,131,825)</u>
290,603	25,166	701,309	155,884
<u>290,603</u>	<u>25,166</u>	<u>701,309</u>	<u>155,884</u>
1,757,901	280,846	9,833,199	(5,562,432)
<u>23,141,871</u>	<u>2,115,948</u>	<u>57,357,705</u>	<u>24,991,795</u>
<u>\$ 24,899,772</u>	<u>\$ 2,396,794</u>	<u>\$ 67,190,904</u>	<u>\$ 19,429,363</u>
17,576,809	2,396,794	44,151,863	19,429,363
145	-	250,701	-
<u>7,322,818</u>	<u>-</u>	<u>22,788,340</u>	<u>-</u>
<u>\$ 24,899,772</u>	<u>\$ 2,396,794</u>	<u>\$ 67,190,904</u>	<u>\$ 19,429,363</u>

Continued

HERNANDO COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2016

	Business-type	
	Water & Sewer District	Aviation Operations
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 5,350,270	\$ (593,668)
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided by (used for) Operating Activities		
Depreciation	8,237,780	826,288
Other Post-Employment Benefits	46,988	2,536
Pension Adjustments	277,569	15,912
Landfill Closure/Postclosure Care Amortization	-	-
(Increase) Decrease in		
Accounts Receivable	(331,889)	85,831
Due from Other Funds	(2,447)	-
Due from Other Governments	6,794,795	(685,722)
Inventories	(6,735)	-
Prepaid Expenses	7,756	-
Increase (Decrease) in		
Accounts Payable	(3,444,893)	(94,155)
Retainage Payable	(709,490)	95,430
Accrued Liabilities	(71,850)	(4,619)
Due to Other Funds	-	-
Due to Other Governments	27,705	-
Unearned Revenues	(1,148,817)	(23,309)
Deposits	321,795	32,776
Claims Liabilities	-	-
Total Adjustments	<u>9,998,267</u>	<u>250,968</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 15,348,537</u>	<u>\$ (342,700)</u>
Non-cash Investing, Financing, and Capital Activities:		
Contributions of Capital Assets from Developers	<u>\$ 311,223</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

Activities - Enterprise Funds			Governmental
Waste Management	Building Department	Total	Activities - Internal Service Funds
\$ 1,402,783	\$ 244,552	\$ 6,403,937	\$ 30,234
1,084,117	47,765	10,195,950	1,697,622
11,991	10,379	71,894	5,634
73,193	61,879	428,553	35,361
(532,279)	-	(532,279)	-
28,382	-	(217,676)	53,919
(3,541)	-	(5,988)	(2,286)
-	-	6,109,073	160
3,940	-	(2,795)	55,431
(23,111)	-	(15,355)	(343,227)
(22,776)	3,670	(3,558,154)	(1,482,259)
-	-	(614,060)	-
(35,552)	(36,785)	(148,806)	379,000
-	-	-	4,105
-	819	28,524	-
360	-	(1,171,766)	18,586
9,844	(97,336)	267,079	-
-	-	-	(521,705)
<u>594,568</u>	<u>(9,609)</u>	<u>10,834,194</u>	<u>(99,659)</u>
<u>\$ 1,997,351</u>	<u>\$ 234,943</u>	<u>\$ 17,238,131</u>	<u>\$ (69,425)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,223</u>	<u>\$ -</u>

HERNANDO COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
September 30, 2016

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 2,316,672
Pooled Cash and Investments	6,567,170
Accounts Receivable (net)	300
Due from Other Governments	414
	414
Total Assets	\$ 8,884,556
 LIABILITIES	
Accounts Payable	\$ 165,027
Accrued Liabilities	4,598,822
Due to Other Funds	32,334
Due to Other Governments	974,277
Deposits	3,114,096
	3,114,096
Total Liabilities	\$ 8,884,556

The notes to the financial statements are an integral part of this statement.

HERNANDO COUNTY, FLORIDA
September 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

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HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. THE REPORTING ENTITY

Hernando County was created in 1843 as a political subdivision of the State of Florida, under Chapter 107, Section 1, Florida Statutes. It is governed by an elected Board of County Commissioners (the Board) which is governed by state statutes and regulations. In addition to the five members of the Board, there are five elected Constitutional Officers: Clerk of Circuit Court and Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. The Constitutional Officers maintain separate accounting records and budgets. The Board and Constitutional Officers provide the following services: public safety (police, fire and rescue), highways and streets, sanitation, water and sewer utilities, health and social services, culture/recreation, public improvements, planning and zoning, and general administrative services.

In accordance with the provisions of generally accepted accounting standards, these financial statements present the financial position, results of operations, and cash flows of the applicable fund types. The statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance part of the primary government's operations, even though they may be legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Otherwise, discretely presented component units, if there were any, would be reported in a separate column in the government-wide financial statements.

Blended Component Units

The following component units are included in the accompanying financial statements as part of the primary government because they satisfy the criteria for blending.

The following component units are in substance part of the County's operations, have the same governing board and management team as the County, and there is a specific benefit or burden relationship with the County:

Hernando County Water and Sewer District - established by Ordinance 80-4 to provide water and sewer service to residents of the County which are not serviced by other agencies or entities.

Hernando County Health Facilities Authority - established by Resolution 75-41 for the purpose of assisting health facilities in the acquisition, construction and financing of projects.

The following component units are in substance part of the County's operations, have the same management team as the County, there is a specific benefit or burden relationship with the County, and they provide services entirely to the County, strictly in an advisory capacity:

Hernando County Port Authority - established pursuant to Laws of Florida, Chapter 65-1618 and 71-666 for the purpose providing advisory services regarding waterway management.

Hernando County Law Library - established pursuant to Laws of Florida, Chapter 65-1627, to provide advisory services regarding a central law library which is available to County officials, judges, officers of the court and the public.

Separate financial statements are not prepared for any of the above component units.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements are composed of the Government-Wide Financial Statements, the Fund Financial Statements and the Notes to the Financial Statements.

Government-Wide Financial Statements

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements report on the government as a whole and include separate columns for the governmental and business-type activities of the primary government. An additional separate column would be presented for any discretely presented component unit for which the County is financially accountable.

The Statement of Net Position presents information on all of the assets, deferred outflows, liabilities and deferred inflows of the County except the Fiduciary Funds. The difference between (assets plus deferred outflows) less (liabilities plus deferred inflows) is reported as net position. Changes in net position may serve as an indicator of whether the financial position of the County is improving or deteriorating. The Statement of Fiduciary Net Position is presented separately.

The Statement of Activities reports functional categories of programs provided by the County, and demonstrates how and to what degree those programs are supported by specific revenue. The "Expenses" column reports direct expenses that are clearly identifiable with a specific function or program. "Program Revenues" are directly attributable to a specific function or program and are categorized as charges for services, operating grants and contributions, and capital grants and contributions. The net of program expenses less program revenues reflects the net cost of each function or program. The general revenues section includes revenues that are not program specific such as taxes and investment earnings.

As a general rule, interfund activities, with the exception of interfund services provided and used have been removed from the government-wide financial statements. Residual amounts between governmental and business-type activities are reported as "internal balances." These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Fund Financial Statements

The underlying accounting system of the County is organized and operated on the basis of separate funds. A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. Fund accounting is used to ensure and demonstrate compliance with legal, legislative, contractual and other finance-related provisions. All of the funds of the County may be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The County's major funds are reported as separate columns in the fund financial statements, and non-major funds are aggregated and presented as a single column on each statement. Fund financial statements are presented after the government-wide financial statements. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Internal service funds of the County (which traditionally provide services primarily to other funds of the County) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are included in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity (Public Safety, Physical Environment, etc.). When appropriate, surplus or deficits in the Internal Service Funds are allocated back to customers in the government-wide Statement of Activities. This creates a reconciling item between the business-type activities column and the Proprietary Fund statements as reflected on the bottom of each statement.

The County's fiduciary funds are presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

GASB sets forth minimum criteria for the determination of what are to be considered major funds for financial statement presentation. The County uses these criteria for major fund determination. The County electively added some proprietary funds as major funds, which either had debt outstanding or specific community focus. The County also electively added the Impact Fee fund as a major-fund for purposes of consistency with prior years. The non-major funds are combined into one column in the respective fund financial statements.

The following are reported as major governmental funds:

General Fund – The general operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Transportation Trust and Gas Taxes – To account for the proceeds of gas taxes and other revenues for the construction and maintenance of County roads.

Impact Fees Capital Project Fund– To account for the proceeds of impact fees levied by the County, and associated expenditures for roads, parks, public buildings, library, law enforcement and emergency services.

Hernando County Fire Rescue-Fire - To account for assessments levied for fire protection services within the district.

The following are reported as major enterprise funds:

Water and Sewer District – This fund is used to account for the operation of water, wastewater and reclaimed water services owned by Hernando County.

Aviation Operations – This fund is used to account for the operation of the Hernando County Airport and the Industrial Complex located on Airport property.

Waste Management – This fund is used to account for the operation of the sanitary landfill for the handling and disposal of solid waste.

Building Department – This fund is used to account for the operation of providing building permits and other construction-related services to County citizens.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County also reports the following funds:

Internal Service Funds - These funds are used to account for goods or services provided by one department to other departments of the County or to other governmental units on a cost reimbursement basis. Such goods and services include a central fueling system, vehicle and fleet maintenance and replacement, risk management, workers compensation management, computer replacement and health self insurance.

Agency Funds – These funds are clearing accounts for the collection and disbursement of funds by the County on behalf of individuals, private organizations, or other governments. Agency Funds include jury and witness, court registry, tax, vehicle tags, payroll deductions, and law enforcement holdings.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting policies of the County conform to generally accepted accounting principles as applicable to governments in accordance with the Government Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The following is a summary of the more significant policies:

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and proprietary fund statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 45 days of the end of the current fiscal period. The government considers intergovernmental grant revenues to be available if they are collected within 180 days of the end of the current fiscal period. Receivables collected after these periods are reported as deferred inflows of resources until the revenue becomes available. 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, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, sales taxes, franchise taxes, 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. Grant entitlements are recorded as revenues when all eligibility requirements are met, and are accrued simultaneously with the grant expenditures. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds record both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund such as user fees. Non-operating revenues are not related to the operations of the proprietary fund and include interest income and grants. Operating expenses represent the cost of operations, which includes depreciation. Non-operating expenses are not related to operations, such as interest expense.

The agency fund has no measurement focus, but utilizes the accrual basis of accounting for reporting its assets and liabilities.

4. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balances are classified either as non-spendable or spendable. Spendable fund balances are further classified in a hierarchy based on the extent to which constraints are placed on the spending of these fund balances. Fund balances are reported in the governmental fund statements in the following classifications:

Non-spendable Fund Balance

This component of fund balance consists of amounts that are not in spendable form, or are legally or contractually required to be maintained intact.

Spendable Fund Balance

Restricted Fund Balance – This component of fund balance 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 Fund Balance – This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (approval of a resolution by a majority of the Board) of the organization's governing authority (County Commission). These committed amounts cannot be used for any other purpose unless the governing authority removes or changes the specified use by taking the same type of action employed to constrain those amounts.

Assigned Fund Balance – 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 governing authority, the County Commission, has approved the assigned fund balances through action taken during the budget process. The County Commission has not delegated the responsibility to assign fund balances to any individual or body.

Unassigned Fund Balance – 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.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. BUDGETARY INFORMATION

The annual budget, formally adopted by the Board of County Commissioners, serves as the legal authorization for expenditures. Legal budgetary authority and control is established on a fund basis in accordance with Florida Statutes 129.03, however, operational control for management purposes is maintained during the year at the lower of the department or fund level. The adopted budget can only be changed by a budget amendment or a budget supplement. Management can transfer appropriations within a fund without the Board of County Commissioners approval unless the transfer affects a budgeted reserve. Pursuant to Florida Statutes 129.06 budget amendments require the approval of the Board of County Commissioners whenever the effect of the amendment is to increase the total appropriations of the fund, to transfer monies between the funds, or to transfer budgeted reserve funds.

The County's annual budgetary process is governed by Florida Statutes, Chapters 129 and 200. The total of the estimated receipts, including balances brought forward, must equal the total of the appropriations and reserves, therefore enabling a balanced budget. During the budgeting process, budgets are prepared on a basis consistent with generally accepted accounting principles. All appropriations lapse at year-end.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations and other legally authorized executive changes applicable to the fiscal year, whenever legally authorized.

In 2009, the County established a General Fund Budget Reserve Policy, creating four reserve categories. Each of the following minimum levels are calculated as a percentage of the total approved General Fund budget, less reserves, transfers and grants: Reserve for Contingencies established at .5% to be used for small unanticipated, non-recurring needs; an Emergency Reserve established at 3.5% to be used for more significant emergencies, those in excess of \$100,000; a Stabilization Reserve established at 3.5% to be used when there is a one-time loss of a major revenue source and/or severe downturn in the economy; and a Reserve for Cash Forward established at 11.0% for the purpose of providing funds to support operations in the new fiscal year until the County's most significant revenue source, property tax, is received. The total of these reserves, 18.5%, is included in the annual approved budget. The policy also establishes the approval required to use these budgeted reserves, and the method in which they are to be replenished. The first three reserves are classified as committed fund balance on the accompanying balance sheet of the General Fund. The fourth reserve (reserve for cash forward) is included within the unassigned fund balance classification.

6. ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Cash, Cash Equivalents, Pooled Cash and Investments

The County considers cash and cash equivalents to be cash on hand, demand deposits, and highly liquid investments, including those held as restricted assets, with original maturities of three months or less when purchased. For purposes of the statement of cash flows, the County considers a fund's share of pooled cash and investments to be cash equivalents.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County pools substantially all cash and investments, except for cash and investments which are maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments is included under the caption "Pooled Cash and Investments". Interest earned is allocated to the various funds based on their average daily cash balances within the pooled account.

The County's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance of GASB, which allows under certain criteria these investments to be recorded at amortized costs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The method of measuring the fair value of investments uses the fair value hierarchy as defined by GASB. See Note C. The Local Government Surplus Funds Trust Fund (Florida Prime) is an investment pool reported at amortized cost which approximates Net Asset Value (NAV). The Florida Cooperative Liquid Assets Securities System (FLCLASS) is reported at amortized cost and measured at fair value. The Florida Trust reports all share information at NAV and reflects fair values in its share value.

GASB authorizes five alternative means of disclosing interest rate risk. The County previously reported interest rate risk using the weighted average maturity method, but due to a change in the management of the composition of the portfolio, effective September 30, 2016, the County reports interest rate risk using the segmented time distribution method.

Receivables and Payables

The accounts receivable of the County are recorded in the government-wide and fund financial statements, and are net of an allowance for uncollectibles, which generally is equivalent to the receivables that are over 90 days.

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

Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, there are two items that qualify for reporting in this category. One is a deferred charge on debt refunding. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions. The deferred outflows related to pensions result from County contributions to the County's retirement plan subsequent to the retirement plan's measurement date, and other timing differences.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The only deferred inflow in the statement of Net Position is an item related to pensions. The deferred inflow related to pensions is the result of certain timing differences. The County also has a deferred inflow in the Balance Sheet of the Governmental Funds. This deferred inflow, unavailable revenue, consists of funds received/receivable by the County that are applicable to a future period.

Unbilled Revenue

Unbilled revenue in the Water and Sewer Fund generally represents revenue earned during the last month of the fiscal year for which bills are sent the following month. Revenue is recognized as Charges for Services when the customer has used the services provided by the County which is also considered to be when it is earned.

Unearned Revenue

Unearned revenue in the Water and Sewer Fund generally represents prepaid connection fees from developers. Such revenues are considered imposed non-exchange transactions. Revenue is recognized when the County has an enforceable legal claim to such connection fees at which time it is reported as capital grants and contributions. The majority of unearned revenue in the governmental funds represents prepaid impact fees which are refundable.

Inventories and Prepaid Items

Inventories are determined by physical count and are valued at cost using the first-in, first-out method. The cost is recorded as an expenditure using the consumption method at the time the individual inventory items are used. Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. In most cases, the prepaid items are recorded as an expenditure using the consumption method at the time the prepaid items are received.

Restricted Assets

The use of certain Enterprise Fund assets is restricted by bond resolution and agreements with various parties. Assets so designated are identified as restricted assets on the Statement of Net Position.

Capital Assets

Capital assets, which include property (land), buildings, infrastructure assets (e.g. roads, bridges, sidewalks and similar items), improvements, equipment, construction in progress and intangible assets (e.g. software) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements as well as the proprietary fund financial statements.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County has established the following thresholds for additions to capital assets, and estimated useful lives for depreciation purposes:

	<u>Threshold</u>		<u>Useful Life-Years</u>
Land	\$ -		-
Easements	150,000		-
Right-of-Way	150,000		-
Buildings	10,000		20-40
Infrastructure	150,000		5-50
Improvements-Other Than Buildings	10,000		20
Improvements-Water/Sewer Lines	10,000		50
General Asset Accounts	100,000	annually	Based upon group characteristics
Leasehold Improvements	10,000		Life of lease or life of improvement Whichever is shorter
Equipment	1,000		5-10
Intangible Assets	150,000		Per contractual provisions

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Interest incurred during the construction phase of capital assets in business-type activities is included as part of the capitalized value of the assets constructed. Normal maintenance and repairs to capital assets are not included in the reported value because they do not increase the capacity or extend the useful life of the capital asset.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Depreciation is charged as an expense against the operations of the governmental and business-type activities in the government-wide financial statements. Depreciation of assets in the proprietary funds is charged as an expense at the fund level.

Compensated Absences

The County maintains a policy that permits employees to accumulate earned but unused paid time off benefits that will be paid to employees upon separation from County service based on years of service, and if certain criteria are met. The County's policy also permits employees to either bank a limited amount of paid time off benefits or receive a limited cash buyout on an annual basis, depending on budget availability.

These benefits plus their related tax and retirement costs are classified as compensated absences. Both the current and long-term portion of compensated absences are accrued and reported in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements, and is considered due and payable at year-end. Compensated absences have typically been liquidated by the fund in which the employees' salaries are charged, the most significant of these being General Fund, Transportation Trust and Gas Taxes, Hernando County Fire Rescue – Fire, and the Water and Sewer District.

Other Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, discounts, premiums and bond insurance costs related to long-term debt, and gains/losses on bond refundings are deferred and amortized

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

over the life of the bonds using the straight-line method of accounting. Discounts and premiums are combined with the debt, and classified as a liability. Bond insurance is classified as an asset. Gains/losses are classified as deferred inflows/outflows of resources. Discounts, premiums, bond insurance costs, and other issuance costs related to debt in the governmental fund financial statements are recorded as expenditures or other financing sources/uses when paid and therefore are not accounted for in subsequent periods.

State and federal laws and regulations require the Waste Management Division to place a final cover on the landfill cells when they stop accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Division accrues an estimated portion of these closure and post-closure costs at the balance sheet date.

The County's risk management activities are recorded in Internal Service Funds (Risk Management, Worker's Compensation and Health Insurance). The Worker's Compensation Fund is a self-insurance program for worker's compensation claims on losses up to established maximums, and is insured against losses in excess of those amounts. Both the County Health Insurance and Sheriff Health Insurance are self-insurance funds for medical health insurance claims up to established maximums, and are insured against losses in excess of those amounts.

Based on actuarial estimates, "Claims Liabilities" have been established in the Worker's Compensation, County Health Insurance and Sheriff Health Insurance Funds for claims reported but not paid, and incurred but not reported.

Long-term obligations associated with pensions, compensated absences and post-employment liabilities have typically been liquidated by the fund in which the employees' salaries are charged, the most significant of these being General Fund, Transportation Trust and Gas Taxes, Hernando County Fire Rescue – Fire, and the Water and Sewer District.

7. EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During the year ended September 30, 2016, the County implemented the following GASB Statements:

- GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 requires the County to use valuation techniques which are appropriate under the circumstances and are consistent with the market approach, the cost approach or the income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements.
- In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 establishes the hierarchy of GAAP for state and local governments. This statement did not have a significant impact to the County's financial statements.
- In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The statement addresses accounting and financial reporting for certain external investment pools and pool participants. The statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- It also establishes additional note disclosure requirements to include information about any limitations or restrictions on participant withdrawals. This statement did not have a significant impact to the County's financial statements.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. BUDGETARY COMPARISONS

Only funds with legally adopted budgets are included when the budget to actual expenditures or revenues are compared. The actual figures are presented on the same basis of accounting as the budgeted figures on these statements. Only actual expenditures are compared to budgeted expenditures since all encumbrances lapse at year-end. All funds other than the Gas Tax Revenue Refunding Bonds, Series 2002 have legally adopted annual budgets for the fiscal year ended September 30, 2016.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2016, the following funds had an excess of actual expenditures over budgeted expenditures. Only those funds with legally adopted budgets are considered for purposes of this note.

		Budgeted Expenditures		Actual Expenditures
Gas Tax Revenue Refunding Bonds 2002	\$	-	\$	5

3. DEFICIT FUND BALANCES/NET POSITION

There were no funds with deficit fund balances/net position at September 30, 2016.

NOTE C – CASH AND INVESTMENTS

In order to minimize its cost basis and limit taxpayer liability in the provision of a full range of county services, the County manages a portfolio of cash and investments to maximize net investment earnings on invested surplus funds. The Board of County Commissioners and Constitutional Officers each maintain an approved investment policy in compliance with guidelines and restrictions established by Florida Statutes. The primary objective of the investment policy is to assure that investment risk is limited upon order entry. The second criterion is the assurance of liquidity and the third consideration is yield.

The County is authorized to invest surplus public funds in the following:

- Municipal Notes which are rated A or better by at least one nationally recognized statistical rating organization;
- Certain Corporate Notes which are rated A or better by at least two nationally recognized statistical rating organizations;
- The Florida Local Government Investment Trust, Florida Trust;
- The Local Government Surplus Funds Trust Fund, Florida Prime;
- Registered money market funds;
- Interest-bearing time deposits or savings accounts in qualified public depositories;
- Direct obligations of the United States Treasury;
- Federal agencies and instrumentalities;
- Certain obligations issued or guaranteed by the United States Government Agencies;

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE C – CASH AND INVESTMENTS (CONTINUED)

- Certain commercial paper which is rated as prime by at least two nationally recognized statistical rating organizations;
- Certain Domestic Bankers' Acceptances;
- Certain Supranationals;
- Mortgage Backed Securities;
- Certain Asset Backed Securities;
- Other Intergovernmental Investment Pools.

The following is a summary of the carrying amount of cash and investments as of September 30, 2016:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Statement of Fiduciary Net Position</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 8,406,895	\$ 193,136	\$ 2,316,672	\$ 10,916,703
Pooled Cash and Investments	101,415,842	65,303,897	6,567,170	173,286,909
Total	<u>\$ 109,822,737</u>	<u>\$ 65,497,033</u>	<u>\$ 8,883,842</u>	<u>\$ 184,203,612</u>

The County had the following deposits and investments at September 30, 2016:

Deposits	\$ 19,852,690
Carrying Amount of Investments	<u>164,350,922</u>
Total	<u>\$ 184,203,612</u>

DEPOSITS

Deposits represent petty cash and cash held with banks in demand deposit and/or savings accounts. To manage custodial credit risk for deposits, all demand and time deposits, including money market accounts, are insured and collateralized in accordance with Chapter 280, Florida Statutes, which established the Public Deposit Security Trust Fund, a multiple financial institution collateral pool. Florida Statutes Section 280.08 provides for assessments against the members of the pool on a pro rata basis in the event that the collateral pool is insufficient to cover the losses of a member financial institution that fails. As such, all deposits covered by this collateral pool are considered to be fully insured.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE C – CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

At September 30, 2016, the County's investments consisted of the following:

<u>Type of Investment</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Maturities</u>	
			<u>1-3 years</u>	<u>1-5 years</u>
United States Treasuries	\$ 70,920,000	\$ 72,432,473	\$ 28,638,894	\$ 43,793,579
Federal Home Loan Bank Federal Home Loan Mortgage Corporation	8,750,000	8,766,212	5,763,580	3,002,632
Federal National Mortgage Association	6,281,847	6,491,767	4,492,004	1,999,763
Federal Farm Credit Bank	10,302,447	10,482,787	6,579,143	3,903,644
Money Market Fund	3,000,000	3,000,940	-	3,000,940
Corporate Notes	1,313,087	1,315,939	1,315,939	-
Municipal Notes	8,350,000	8,498,298	4,466,145	4,032,153
Local Government Surplus Funds Trust Fund, (Florida Prime)	2,575,000	2,597,750	1,260,210	1,337,540
Florida Local Government Investment Trust (Florida Trust)	6,050,000	6,062,220	6,062,220	-
Florida Cooperative Liquid Assets Securities System (FLCLASS)	38,189,710	38,189,710	38,189,710	-
	<u>6,500,000</u>	<u>6,512,826</u>	<u>6,512,826</u>	<u>-</u>
	<u>\$ 162,232,091</u>	<u>\$ 164,350,922</u>	<u>\$ 103,280,671</u>	<u>\$ 61,070,251</u>

The County participates in Securities Exchange Commission Registered Money Market Funds. Money Market Funds use amortized cost which is reported at a stable NAV, typically \$1.00 per share. The money market funds are rated AAAM for Credit Quality by Standard & Poor's Rating Agency.

The County also participates in the following investment pools:

The State of Florida Local Government Surplus Funds Trust Fund (Florida Prime) administered by the State Board of Administration (SBA). This investment pool was created by Section 218.415, Florida Statutes, and operates under investment guidelines established by Section 215.47, Florida Statutes. The County's investments in this pool are reported at amortized cost, and are not subject to the fair value hierarchy.

The Florida Local Government Investment Trust (Florida Trust), which is administered by a Board of Trustees appointed by the Florida Association of Court Clerks and County Comptroller, and the Florida Association of Counties, Inc. The Florida Trust was created in December 1991 to provide a means for public entities to pool

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE C – CASH AND INVESTMENTS (CONTINUED)

surplus funds to maximize net earnings. The Florida Trust reports all share information at Net Asset Value and reflects share value.

The Florida Cooperative Liquid Assets Securities System (FLCLASS), an independent local government pool designed to provide an investment alternative for Florida governmental entities. The management of FLCLASS is under the direction of an appointed Board of Trustees comprised of eligible participants of the FLCLASS program. FLCLASS does not meet all of the specific criteria outlined in GASB 79, paragraph 4, and should therefore be measured at fair value, but reports using amortized cost which approximates fair value.

None of the pools have limitations or restrictions on participant withdrawals including items such as redemption notices, maximum transaction amounts, or authority to impose liquidity fees or redemption gates.

At September 30, 2016, the County's investments carried the following Credit Rating and Fair Value Hierarchy:

<u>Type of Investment</u>	<u>Credit Rating S&P's/Moody's</u>	<u>Fair Value Hierarchy</u>
United States Treasuries	AA+/Aaa	1
Federal Home Loan Bank	AA+/Aaa	2
Federal Home Loan Mortgage Corporation	AA+/Aaa	2
Federal National Mortgage Association	AA+/Aaa	2
Federal Farm Credit Bank	AA+/Aaa	2
Money Market Fund	AAAm/Aaa	1
Corporate Notes	A+ to AAA/A2 to Aaa	2
Municipal Notes	AA- to AAA/Aa1 to Aa3	2
Local Government Surplus Funds		
Trust Fund, (Florida Prime)	AAAm/NA	NA
Florida Local Government Investment Trust (Florida Trust)	AAAf/NA	1
Florida Cooperative Liquid Assets Securities System (FLCLASS)	AAAm/NA	1

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. The County's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79. The County's valuation measurement is reflected in the chart above. The fair value hierarchy categorizes the inputs of valuation techniques used to measure fair value into three levels:

- Level 1 inputs-quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE C – CASH AND INVESTMENTS (CONTINUED)

- Level 2 inputs-inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs-unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The County's valuation measurement are reflected in the chart above.

Management of the following investment risks are addressed below:

- Custodial credit risk – risk that a government will not be able to recover deposits or the value of an investment that's in the possession of a failed institution or counterparty;
- Credit risk – risk of loss from an issuer's failure to repay principal and/or interest on a debt obligation;
- Liquidity risk – risk that an investment cannot be bought or sold quickly enough to minimize a loss stemming from a lack of marketability;
- Concentration of investment risk – increasing probability of loss arising from heavily lopsided exposure to an asset class, issuer, structure or maturity;
- Interest rate risk – risk that a security's value will decrease with a rise in interest rates.

To manage custodial credit risk for investments, the County's investment policy specifies the County will execute a Third-Party Custodial Safekeeping Agreement with a commercial bank's trust department separately chartered by the U.S. Government or State of Florida. In addition, no more than 25% of the entire portfolio may be placed with any one financial institution or securities dealer. All securities purchased by the County are properly designated as an asset of the County and are held in safekeeping by the bank's trust department.

To manage credit risk, the County's investment policy identifies and limits investments to only top ratings issued by nationally recognized statistical rating organizations. At order entry, the County's investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association were rated Aaa by Moody's Investor Service. At order entry, the County's investments in corporate and municipal notes were rated A or better.

To manage liquidity risk, the County's investment policy identifies and limits investment to only top ratings issued by nationally recognized statistical rating organizations. In order to ensure deep liquid markets, the County's investment policy identifies and limits investment in corporate notes to domestic issuers. Position size is also taken into consideration with regard to liquidity risk.

To manage concentration of investment risk, the County's investment policy stipulates maximum limitation guidelines for diversification by instrument. A maximum of 50% of the portfolio may be invested in each of the Florida Trust and Local Government Surplus Funds Trust Fund (Florida Prime) individually. Investment maximum limitations range from 10% to 80% for each of the remaining types of investments. More than 5% of the County's total investments are invested in US Treasuries, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Corporate Notes and Federal Home Loan Bank.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE C – CASH AND INVESTMENTS (CONTINUED)

To manage interest rate risk, the County maintains a formal investment policy that limits investment maturities not to exceed seven (7) years. This coupled with a diversified portfolio of differing maturities that employ callable, floating, and structured securities limits exposure to fair value losses arising from interest rate risk.

NOTE D – RECEIVABLES

Accounts receivable at September 30, 2016, for the County's individual major funds and non-major funds in total, including applicable allowances for uncollectibles were as follows:

	<u>Accounts Receivable, Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Accounts Receivable, Net</u>
General Fund	\$ 1,143,106	\$ 811,119	\$ 331,987
Transportation Trust and Gas Taxes	214,428	202,803	11,625
Hernando County Fire Rescue -Fire	101,170	96,983	4,187
Water and Sewer District	3,876,556	138,500	3,738,056
Aviation Operations	195,541	152,000	43,541
Waste Management	264,785	3,965	260,820
Non-major government funds	16,496,254	14,136,630	2,359,624
Internal Service Funds	68,876	-	68,876
Total	<u>\$ 22,360,716</u>	<u>\$ 15,542,000</u>	<u>\$ 6,818,716</u>

Included in accounts receivable in the Water and Sewer District are unbilled amounts totaling \$1,708,213 earned in September 2016, but billed in October 2016.

The County's State Housing Initiatives Partnership (SHIP) program offers zero-interest rate loans for housing rehabilitation or down payment assistance to qualified recipients. Generally, the loans are required to be repaid at the earlier of thirty years or sale/transfer of the property. The County has recorded the gross amount of the receivable as an asset of \$13 million, offset entirely by an allowance for uncollectible receivables.

Due from Other Governments at September 30, 2016, for the County's individual major funds and non-major funds were as follows:

	<u>Due from Grantors</u>	<u>Due from State</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 646,815	\$ 1,699,096	\$ 15,105	\$ 2,361,016
Transportation Trust and Gas Taxes	67,467	1,716,864	-	1,784,331
Impact Fees Capital Project Fund	-	-	952	952
Hernando County Fire Rescue-Fire	-	12,616	-	12,616
Water and Sewer District	-	2,475,018	40,125	2,515,143
Aviation Operations	1,089,819	-	-	1,089,819
Non-major governmental funds	191,629	386,899	19,857	598,385
Internal Service Funds	-	49	-	49
Total	<u>\$ 1,995,730</u>	<u>\$ 6,290,542</u>	<u>\$ 76,039</u>	<u>\$ 8,362,311</u>

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE E – RESTRICTED ASSETS

As of September 30, 2016, restricted assets were held for the following purposes:

	<u>Cash with Fiscal Agent</u>	<u>Pooled Cash and Investments and Other Investments</u>	<u>Total</u>
Debt Service Funds	\$ <u> -</u>	\$ <u> 21,654</u>	\$ <u> 21,654</u>
Water and Sewer District			
Construction	\$ 1,693,871	\$ 8,546,992	\$ 10,240,863
Debt Retirement	-	1,226,415	1,226,415
Renewal and Replacement	-	4,248,800	4,248,800
Total Water and Sewer District	<u>1,693,871</u>	<u>14,022,207</u>	<u>15,716,078</u>
Waste Management			
Landfill Closure/Post-closure	-	7,322,963	7,322,963
Total Waste Management	-	7,322,963	7,322,963
Total Business-Type Activities	<u>\$ 1,693,871</u>	<u>\$ 21,345,170</u>	<u>\$ 23,039,041</u>

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 29,510,792	\$ 240,545	\$ 412,608	\$ 29,338,729
Construction in Progress	<u>1,684,905</u>	<u>541,077</u>	<u>1,729,409</u>	<u>496,573</u>
Total Capital Assets not being depreciated	<u>31,195,697</u>	<u>781,622</u>	<u>2,142,017</u>	<u>29,835,302</u>
Capital assets being depreciated:				
Buildings	135,659,231	547,331	128,295	136,078,267
Infrastructure	267,936,755	9,670,354	20,069	277,587,040
Improvements other than buildings	27,779,676	715,667	-	28,495,343
Equipment	64,050,845	7,530,471	4,440,895	67,140,421
Intangible assets	<u>1,536,007</u>	<u>10,015</u>	<u>-</u>	<u>1,546,022</u>
Total Capital Assets being depreciated	<u>496,962,514</u>	<u>18,473,838</u>	<u>4,589,259</u>	<u>510,847,093</u>
Less Accumulated Depreciation:				
Buildings	44,508,827	3,545,180	98,092	47,955,915
Infrastructure	81,364,471	7,444,223	-	88,808,694
Improvements other than buildings	16,076,198	1,094,755	-	17,170,953
Equipment	45,988,437	4,967,319	4,398,708	46,557,048
Intangible assets	<u>751,133</u>	<u>133,914</u>	<u>-</u>	<u>885,047</u>
Total Accumulated Depreciation	<u>188,689,066</u>	<u>17,185,391</u>	<u>4,496,800</u>	<u>201,377,657</u>
Total Capital Assets being depreciated, net	<u>308,273,448</u>	<u>1,288,447</u>	<u>92,459</u>	<u>309,469,436</u>
Governmental Activities Capital Assets, Net	\$ <u>339,469,145</u>	\$ <u>2,070,069</u>	\$ <u>2,234,476</u>	\$ <u>339,304,738</u>

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE F – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 8,380,601	\$ 1,849,960	\$ 30,000	\$ 10,200,561
Construction in Progress	<u>36,995,284</u>	<u>27,706,770</u>	<u>13,285,180</u>	<u>51,416,874</u>
Total Capital Assets not being depreciated	<u>45,375,885</u>	<u>29,556,730</u>	<u>13,315,180</u>	<u>61,617,435</u>
Capital assets being depreciated:				
Buildings	14,481,252	5,356,667	-	19,837,919
Infrastructure	2,652,910	-	-	2,652,910
Improvements other than buildings	322,619,618	6,314,912	281,448	328,653,082
Equipment	<u>8,102,201</u>	<u>626,996</u>	<u>321,300</u>	<u>8,407,897</u>
Total Capital Assets being depreciated	<u>347,855,981</u>	<u>12,298,575</u>	<u>602,748</u>	<u>359,551,808</u>
Less Accumulated Depreciation:				
Buildings	4,141,100	566,547	-	4,707,647
Infrastructure	397,668	71,051	-	468,719
Improvements other than buildings	134,960,217	8,921,802	13,132	143,868,887
Equipment	<u>5,070,407</u>	<u>677,554</u>	<u>321,300</u>	<u>5,426,661</u>
Total Accumulated Depreciation	<u>144,569,392</u>	<u>10,236,954</u>	<u>334,432</u>	<u>154,471,914</u>
Total Capital Assets being depreciated, net	<u>203,286,589</u>	<u>2,061,621</u>	<u>268,316</u>	<u>205,079,894</u>
Business-Type Activities Capital Assets, Net	<u>\$ 248,662,474</u>	<u>\$ 31,618,351</u>	<u>\$ 13,583,496</u>	<u>\$ 266,697,329</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 3,688,353
Public Safety	2,679,040
Physical Environment	116,025
Transportation	7,964,872
Economic Environment	32,591
Human Services	1,724,660
Culture and Recreation	827,540
Court Operations	<u>152,310</u>
Total Depreciation for Governmental Activities	<u>\$ 17,185,391</u>
Business-Type Activities	
Water and Sewer	\$ 8,248,365
Aviation Operations	826,288
Waste Management	1,114,536
Building Department	<u>47,765</u>
Total Depreciation for Business-Type Activities	<u>\$ 10,236,954</u>

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE F – CAPITAL ASSETS (CONTINUED)

Interest incurred during the period of construction and preparation for use of business-type assets constructed is capitalized as part of those assets. During the year ended September 30, 2016, interest costs incurred totaled \$2,405,055 for the Water and Sewer District and \$74,516 for the Aviation Operations, of which \$766,199 was capitalized as an asset of the Water and Sewer District.

Construction or capital improvement commitments outstanding as measured by purchase orders and contracts outstanding at September 30, 2016 were as follows:

	<u>Construction Commitments Outstanding</u>
General Fund	\$ 741,018
Transportation Trust and Gas Taxes	2,306,204
Impact Fees Capital Project Fund	500,909
Non-major governmental funds:	
Stormwater Management	1,242,713
Court-Related Funds	27,296
Municipal Service Benefit Units	42,016
Hernando Co Fire Rescue-Rescue	79,453
Misc Special Revenue Funds	58,649
Water and Sewer District	2,385,318
Aviation Operations	1,048,063
Waste Management	81,107
Internal service funds:	
Central Fueling	33,495
Fleet Replacement	2,054,673
County Health Insurance	1,022
Total	<u><u>\$ 10,601,936</u></u>

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE G – INTERFUND TRANSACTIONS

1. DUE TO / DUE FROM OTHER FUNDS

Interfund balances at September 30, 2016 were as follows:

	Interfund Receivable	Interfund Payable
General Fund		
Transportation Trust and Gas Taxes	\$ -	\$ 78,659
Hernando County Fire Rescue-Fire	-	257,393
Non-major governmental funds	178,738	112,558
Waste Management	-	67,647
Internal Service Funds	1,819	-
Total General Fund	180,557	516,257
Transportation Trust and Gas Taxes		
General Fund	78,659	-
Non-major governmental funds	470	-
Total Transportation Trust	79,129	-
Hernando County Fire Rescue-Fire		
General Fund	257,393	-
Non-major governmental funds		
General Fund	112,558	178,738
Transportation Trust and Gas Taxes	-	470
Non-major governmental funds	516	516
Water and Sewer District	-	351,036
Total Non-major governmental funds	113,074	530,760
Water and Sewer District		
Non-major governmental funds	351,036	-
Waste Management Fund		
General Fund	67,647	-
Internal Service Funds		
General Fund	-	1,819
Internal Service Funds	2,286	2,286
Total Internal Service Funds	2,286	4,105
Total Due To/Due From Other Funds	\$ 1,051,122	\$ 1,051,122

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The outstanding balances generally are the result of one fund providing services to another fund.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE G – INTERFUND TRANSACTIONS (CONTINUED)

2. ADVANCES TO / ADVANCES FROM OTHER FUNDS

Individual interfund advances were as follows:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 4,200,000	\$ -
Hernando County Fire Rescue-Fire The General Fund advanced \$3,750,000 at 2.5% interest, to Hernando County Fire Rescue-Fire to cover a shortfall in funds needed for operations. Final reimbursement is scheduled for fiscal year 2021.	-	3,750,000
Special Revenue Funds Miscellaneous Special Revenue Funds The General Fund advanced \$450,000 at 0% interest, to establish a separate fund within Miscellaneous Special Revenue funds for the Hernando/Citrus Metropolitan Planning Organization. Final reimbursement is scheduled for fiscal year 2017.	-	450,000
Multiservice Benefit Units The Water and Sewer District advanced \$82,000 at 0% interest to the River Run and Waters of Weeki Wachee Force Main MSBUs to cover anticipated shortfall in funding. Final reimbursement is scheduled for fiscal year 2019.	-	82,000
Business-Type Activities Water and Sewer District	82,000	-
Total Advances To/Advances From Other Funds	\$ 4,282,000	\$ 4,282,000

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE G – INTERFUND TRANSACTIONS (CONTINUED)

3. INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Transportation Trust and Gas Taxes	\$ 442,621	\$ 85,119
Hernando County Fire Rescue-Fire	-	257,393
Non-major governmental funds	178,738	3,682,360
Waste Management	-	67,647
Internal Service Funds	571,001	-
Total General Fund	<u>1,192,360</u>	<u>4,092,519</u>
Transportation Trust and Gas Taxes		
General Fund	78,659	442,621
Non-major governmental funds	1,272,095	2,403,010
Internal Service Funds	434,127	-
Total Transportation Trust	<u>1,784,881</u>	<u>2,845,631</u>
Impact Fees Capital Project Fund		
Non-major governmental funds	-	486,512
Hernando County Fire Rescue-Fire		
General Fund	257,393	-
Non-major governmental funds	440,500	143,409
Internal Service Funds	405,964	-
Total Hernando County Fire Rescue-Fire	<u>1,103,857</u>	<u>143,409</u>
Non-major governmental funds		
General Fund	3,204,290	178,738
Transportation Trust and Gas Taxes	88,572	1,712,595
Impact Fees Capital Project Fund	486,512	-
Hernando County Fire Rescue-Fire	143,409	-
Non-major governmental funds	2,838,680	516
Water and Sewer District	-	9,392
Internal Service Funds	146,305	-
Total Non-major governmental funds	<u>6,907,768</u>	<u>1,901,241</u>
Water and Sewer District		
Non-major governmental funds	9,392	-
Aviation Operations	242,576	-
Internal Service Funds	579,636	-
Total Water and Sewer District	<u>831,604</u>	<u>-</u>
Aviation Operations		
Water & Sewer District	-	242,576
Internal Service Funds	20,127	-
Total Aviation Operations	<u>20,127</u>	<u>242,576</u>

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE G – INTERFUND TRANSACTIONS (CONTINUED)

	<u>Transfers In</u>	<u>Transfers Out</u>
Waste Management Fund		
General Fund	\$ 67,647	\$ -
Internal Service Funds	273,232	-
Total Waste Management Fund	340,879	-
Building Department		
Internal Service Funds	47,478	-
Internal Service Funds		
General Fund	-	571,001
Transportation Trust and Gas Taxes	-	434,127
Hernando County Fire Rescue-Fire	-	405,964
Non-major governmental funds	-	185,501
Water and Sewer District	-	579,636
Aviation Operations	-	20,127
Waste Management	-	273,232
Building Department	-	47,478
Internal Service Funds	22,675	22,675
Total Internal Service Funds	22,675	2,539,741
Total Interfund Transfers	\$ 12,251,629	\$ 12,251,629

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable	\$ 5,180,000	\$ -	\$ 1,230,000	\$ 3,950,000	\$ 1,270,000
Net Bond Premium	28,781	-	14,698	14,083	2,643
Total Bonds Payable	5,208,781	-	1,244,698	3,964,083	1,272,643
Loans & Notes Payable	31,665,453	756,845	2,570,081	29,852,217	2,605,115
Leases Payable	54,143	-	54,143	-	-
Compensated Absences	7,875,944	6,043,457	6,365,926	7,553,475	6,639,642
Other Post Employment Benefits	8,152,257	905,666	-	9,057,923	-
Net Pension Liability	61,676,029	52,357,103	-	114,033,132	-
Claims Liabilities	4,103,747	15,309,990	15,831,695	3,582,042	2,932,042
Total	\$ 118,736,354	\$ 75,373,061	\$ 26,066,543	\$ 168,042,872	\$ 13,449,442
Business-Type Activities					
Bonds Payable	\$ 35,014,950	\$ -	\$ 2,210,000	\$ 32,804,950	\$ 2,305,000
Net Bond Premium	3,322,523	-	178,783	3,143,740	178,783
Total Bonds Payable	38,337,473	-	2,388,783	35,948,690	2,483,783
Loans & Notes Payable	40,540,436	18,433,372	1,235,013	57,738,795	1,339,552
Compensated Absences	833,952	705,757	745,563	794,146	722,673
Other Post Employment Benefits	784,873	71,894	-	856,767	-
Net Pension Liability	4,497,439	3,419,668	-	7,917,107	-
Landfill Closure/Postclosure	4,887,930	-	532,279	4,355,651	-
Total	\$ 89,882,103	\$ 22,630,691	\$ 4,901,638	\$ 107,611,156	\$ 4,546,008

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE H – LONG-TERM LIABILITIES (CONTINUED)

See Note I for a discussion of the Net Pension Liability. See Note J for a discussion of the liability for Other Post-Employment Benefits. See Note M for a discussion of the liability for Claims Liabilities. See Note N for a discussion of the liability for landfill closure/postclosure.

1. LOANS & NOTES PAYABLE

Summary of Loans & Notes Payable

	Governmental Activities	Business-Type Activities
Non-revolving Lines of Credit	\$ 7,269,217	\$ 1,942,728
State Revolving Loans	-	55,796,067
Other Loans and Notes	22,583,000	-
Total	\$ <u>29,852,217</u>	\$ <u>57,738,795</u>

Governmental Activities-Governmental Funds

The following are summaries of Non-Revolving Lines of Credit at September 30, 2016:

Non-revolving line of credit dated October 22, 2008 with a bank for \$4,000,000 to be used to finance improvement projects. The minimum draw for a project is \$50,000 and the resulting note is to be amortized over 3, 5, 7 or 10 years, as determined at the time of the draw. Payment of principal and interest on these notes is to be made from special assessments levied and collected for the project. As of year-end the following notes had been executed under this agreement:

Desert Sparrow Paving. Applicable rate of interest: 4.76%. Average annual principal payments of \$12,937 due until May 1, 2018. Interest is paid semi-annually May 1 and November 1.	\$ 24,138
Bahama Swallow Paving. Applicable rate of interest: 4.76%. Average annual principal payments of \$13,051 due until May 1, 2018. Interest is paid semi-annually May 1 and November 1.	24,350
Eskimo Curlew Paving. Applicable rate of interest: 4.76%. Average annual principal payments of \$8,711 due until May 1, 2018. Interest is paid semi-annually May 1 and November 1.	16,253
Flock Avenue Paving. Applicable rate of interest: 4.04%. Average annual principal payments of \$10,140 due until May 1, 2019. Interest is paid semi-annually May 1 and November 1.	28,118
Olson Road Paving. Applicable rate of interest: 4.04%. Average annual principal payments of \$11,097 due until May 1, 2019. Interest is paid semi-annually May 1 and November 1.	30,772
Osprey Avenue Paving. Applicable rate of interest: 4.04%. Average annual principal payments of \$6,402 due until November 1, 2019. Interest is paid semi-annually May 1 and November 1.	17,753

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

Dotted Wren Paving. Applicable rate of interest: 3.41%. Average annual principal payments of \$4,667 due until May 1, 2021. Interest is paid semi-annually May 1 and November 1.	\$	20,695	
Mountain Mockingbird/Marvista Court Paving. Applicable rate of interest: 3.41%. Average annual principal payments of \$5,993 due until May 1, 2021. Interest is paid semi-annually May 1 and November 1.			26,576
Golden Avenue Paving. Applicable rate of interest: 3.41%. Average annual principal payments of \$2,451 due until May 1, 2021. Interest is paid semi-annually May 1 and November 1.			10,867
Owl Road Paving. Applicable rate of interest: 3.41%. Average annual principal payments of \$8,504 due until May 1, 2021. Interest is paid semi-annually May 1 and November 1.			37,706
Croft Lane Paving. Applicable rate of interest: 3.41%. Average annual principal payments of \$2,661 due until May 1, 2021. Interest is paid semi-annually May 1 and November 1.			11,798
Nuzum Paving. Applicable rate of interest: 3.41%. Average annual principal payments of \$11,391 due until May 1, 2021. Interest is paid semi-annually May 1 and November 1.			50,510
		<hr/>	\$ 299,536
<p>Non-revolving line of credit dated November 13, 2012 with a bank for \$7,500,000 to be used to finance improvement projects. The minimum draw for a project is \$50,000 and the resulting note is to be amortized over 3, 5, 7 or 10 years, as determined at the time of the draw. Payment of principal and interest on these notes is to be made from special assessments levied and collected for the project. As of year-end the following notes had been executed under this agreement:</p>			
English Sparrow Paving. Applicable rate of interest: 1.81%. Average annual principal payments of \$5,463 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.	\$		33,640
Flock West Paving. Applicable rate of interest: 1.81%. Average annual principal payments of \$1,252 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.			7,710
Flatwood Paving. Applicable rate of interest: 1.81%. Average annual principal payments of \$5,680 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.			34,974
Lomita Wren Paving. Applicable rate of interest: 1.81%. Average annual principal payments of \$2,885 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.			17,765
Marvelwood Paving. Applicable rate of interest: 1.81%. Average annual principal payments of \$13,610 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.			83,803

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

Phillips Paving. Applicable rate of interest: 1.81%. Average annual principal payments of \$7,923 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.	\$ 48,783
Flicker Road Paving. Applicable rate of interest: 2.55%. Average annual principal payments of \$4,081 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.	25,464
State Road Canal Dredge. Applicable rate of interest: 2.55%. Average annual principal payments of \$11,757 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.	73,367
Hernando County Fire Rescue District Fire Engine. Applicable rate of interest: 1.81%. Average annual principal payments of \$75,163 due until May 1, 2018. Interest is paid semi-annually May 1 and November 1.	145,241
County Radio System Upgrade. Applicable rate of interest: 1.91%. Average annual principal payments of \$422,965 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.	2,709,776
Hernando Beach Volunteer Fire Department Fire Engine. Applicable rate of interest: 2.29%. Average annual principal payment of \$46,809 due until May 1, 2023. Interest is paid semi-annually May 1 and November 1.	<u>313,159</u>
	\$ 3,493,682
<p>Non-revolving line of credit dated August 4, 2014 with a bank for \$10,000,000 to be used to finance improvement projects. The minimum draw for a project is \$50,000 and the resulting note is to be amortized over 3, 5, 7, 10 or 15 years, as determined at the time of the draw. Payment of principal and interest on these notes is secured by covenant to budget and appropriate legally available non-ad valorem revenues or special assessments levied and collected for the project. As of year-end the following notes had been executed under this agreement:</p>	
Courthouse Energy Performance Study. Applicable rate of interest: 2.8%. Average annual principal payment of \$62,848 due until May 1, 2029. Interest is paid semi-annually May 1 and November 1.	\$ 677,018
Phillips East Paving. Applicable rate of interest: 2.51%. Average annual principal payments of \$8,808 due until May 1, 2024. Interest is paid semi-annually May 1 and November 1.	85,120
Puffin Paving. Applicable rate of interest: 2.51%. Average annual principal payments of \$1,296 due until May 1, 2024. Interest is paid semi-annually May 1 and November 1.	12,524
Grass Finch Paving. Applicable rate of interest: 2.51%. Average annual principal payments of \$3,181 due until May 1, 2024. Interest is paid semi-annually May 1 and November 1.	30,740
Harris Hawk Paving. Applicable rate of interest: 2.51%. Average annual principal payments of \$9,500 due until May 1, 2024. Interest is paid semi-annually May 1 and November 1.	91,810

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

Royal Highlands Area A Paving. Applicable rate of interest: 2.53%. Average annual principal payments of \$12,361 due until May 1, 2024. Interest is paid semi-annually May 1 and November 1.	\$ 88,521
Ostrom/Allen Paving. Applicable rate of interest: 2.53%. Average annual principal payments of \$4,588 due until May 1, 2024. Interest is paid semi-annually May 1 and November 1.	32,857
Benes Roush Paving. Applicable rate of interest: 2.53%. Average annual principal payments of \$3,604 due until May 1, 2024. Interest is paid semi-annually May 1 and November 1.	25,815
Eider Paving. Applicable rate of interest: 2.53%. Average annual principal payments of \$2,914 due until May 1, 2024. Interest is paid semi-annually May 1 and November 1.	20,871
Helene Paving. Applicable rate of interest: 2.53%. Average annual principal payments of \$6,025 due until May 1, 2024. Interest is paid semi-annually May 1 and November 1.	43,146
Hancock Lake Paving. Applicable rate of interest: 2.44%. Average annual principal payments of \$14,079 due until May 1, 2025. Interest is paid semi-annually May 1 and November 1.	112,565
Crum Paving. Applicable rate of interest: 2.44%. Average annual principal payments of \$8,529 due until May 1, 2025. Interest is paid semi-annually May 1 and November 1.	68,192
Hernando County Fire Department Fire Engine. Applicable rate of interest: 2.52%. Average annual principal payment of \$147,080 due until May 1, 2025. Interest is paid semi-annually May 1 and November 1.	1,171,249
Hernando County Fire Department Emergency Services Equipment. Applicable rate of interest: 2.52%. Average annual principal payment of \$42,265 due until May 1, 2025. Interest is paid semi-annually May 1 and November 1.	336,574
	\$ 2,797,002
<p>Non-revolving line of credit dated October 22, 2015 with a bank for \$15,000,000 to be used to finance improvement projects. The minimum draw for a project is \$50,000 and the resulting note is to be amortized over 3, 5, 7, 10 or 15 years, as determined at the time of the draw. Payment of principal and interest on these notes is secured by covenant to budget and appropriate legally available non-ad valorem revenues or special assessments levied and collected for the project. As of year-end the following notes had been executed under this agreement:</p>	
Royal Highlands Area C Paving. Applicable rate of interest: 2.73%. Average annual principal payments of \$41,148 due until May 1, 2025. Interest is paid semi-annually May 1 and November 1.	\$ 369,155
Royal Highlands Area E Paving. Applicable rate of interest: 2.73%. Average annual principal payments of \$24,542 due until May 1, 2025. Interest is paid semi-annually May 1 and November 1.	220,172

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

Royal Highlands Area F Paving. Applicable rate of interest: 2.73%. Average annual principal payments of \$9,995 due until May 1, 2025. Interest is paid semi-annually May 1 and November 1.

	89,670	
	\$	678,997
	\$	7,269,217

The following is a summary of other loans at September 30, 2016:

Non-Ad Valorem Refunding Revenue Note, Series 2012 dated November 13, 2012 with a bank for \$24,430,000 to be used to refinance Capital Improvement and Refunding Bonds, Series 2002 and a portion of Capital Improvement and Refunding Bonds, Series 2004. Payment of principal and interest on these notes is secured by covenant to budget and appropriate legally available non-ad valorem revenues.

Applicable rate of interest: 2.572%. Average annual principal payments of \$1,987,624 due until February 1, 2028. Interest is paid semi-annually February 1 and August 1.

\$ 22,583,000

Total

\$ 29,852,217

Below is a summary of debt service requirements until maturity for the Governmental Activities Loans & Notes Payable:

Year ended September 30	Principal	Interest	Total
2017	\$ 2,605,116	\$ 729,994	\$ 3,335,110
2018	3,623,083	652,429	4,275,512
2019	3,604,279	520,511	4,124,790
2020	3,648,194	470,172	4,118,366
2021	3,737,972	377,061	4,115,033
2022-2026	9,437,113	1,000,689	10,437,802
2027-2029	3,196,460	88,491	3,284,951
Total	\$ <u>29,852,217</u>	\$ <u>3,839,347</u>	\$ <u>33,691,564</u>

Business-Type Activities

The following is a summary of Loans & Notes Payable at September 30, 2016:

Aviation Operations

Non-revolving line of credit dated October 22, 2008 with a bank for \$4,000,000 to be used to refinance Florida Local Government Finance Commission Pooled Commercial Paper Note, Series A, Draw No. A-1-5, originally issued to finance costs of the extension of Sgt. Lea Mills Boulevard and the Aerial Way extension to Spring Hill Drive at Hernando County Airport. The minimum draw for a project is \$50,000 and the resulting note is to be amortized over 3, 5, 7 or

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

10 years, as determined at the time of the draw. As of year-end the following note had been executed under this agreement:

Applicable rate of interest: 2.50%. Average annual principal payments of \$123,350 due until May 1, 2018. Interest is paid semi-annually May 1 and November 1.	\$ 232,766
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Non-revolving line of credit dated October 22, 2015 with a bank for \$15,000,000 to be used for construction of multiple T-Hangar buildings known as Southeast T-Hangar Construction Phase III. The minimum draw for a project is \$50,000 and the resulting note is to be amortized over 3, 5, 7, 10, or 15 years, as determined at the time of the draw. As of year-end the following note had been executed under this agreement:

Applicable rate of interest: 3.92%. Average annual principal payments of \$190,000 due until May 1, 2025. Interest is paid semi-annually May 1 and November 1.	\$ <u>1,709,962</u>
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Total	\$ 1,942,728
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Water & Sewer District

Each of the following State Revolving Loans is secured by a lien on net revenues and connections fees. These liens are junior, inferior and subordinate to the senior liens on the Water and Sewer Revenue Bonds.

State Revolving Fund Loan due in semi-annual installments of \$58,053 beginning December 15, 2012. The loan has an interest rate of 2.90% and matures June 2032.	\$ 1,477,896
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State Revolving Fund Construction Loan due in semi-annual installments of \$358,255 beginning October 15, 2012. The loan has an interest rate of 2.29% to 2.41% and matures April 2032.	9,473,087
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State Revolving Fund Construction Loan due in semi-annual installments of \$86,604 beginning October 15, 2012. The loan has an interest rate of 2.16% and matures April 2032.	2,332,625
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State Revolving Fund Construction Loan due in semi-annual installments of \$191,200 beginning November 15, 2012. The loan has an interest rate of 2.37% and matures May 2032.	5,067,434
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State Revolving Fund Construction Loan due in semi-annual installments of \$87,779 beginning December 15, 2016. The loan has an interest rate of 2.23%. Maturity will be determined when the final financed amount has been determined.	2,545,364
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State Revolving Fund Construction Loan due in semi-annual installments of \$1,279,708 beginning November 15, 2015. The loan has an interest rate of 1.82% to 2.23%. Maturity will be determined when the final financed amount has been determined.	<u>34,899,661</u>
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	\$ <u>55,796,067</u>
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Total	\$ <u>57,738,795</u>
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HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

Below is a summary of debt service requirements until maturity for the Business-Type Activities Loans & Notes Payable:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,339,552	\$ 1,279,305	\$ 2,623,577
2018	3,937,034	1,212,369	5,149,403
2019	3,852,697	1,125,248	4,977,945
2020	3,886,352	1,040,166	4,926,518
2021	3,920,924	954,172	4,875,096
2022-2026	19,927,905	3,447,048	23,374,953
2027-2031	17,270,522	1,342,155	18,612,677
2032-2036	<u>3,603,809</u>	<u>90,324</u>	<u>3,689,413</u>
Total	\$ <u>57,738,795</u>	\$ <u>10,490,787</u>	\$ <u>68,229,582</u>

2. BONDS PAYABLE

Governmental Activities

CAPITAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2004

The Hernando County Capital Improvement and Refunding Revenue Bonds, Series 2004, dated March 10, 2004, in the amount of \$23,950,000 were issued during the fiscal year ended September 30, 2004. The bonds were issued to: legally defease the remaining Certificates of Participation, Series 1992; to fund all or a portion of the costs of the acquisition, construction and equipping of various capital improvements within the county, including, but not limited to the County Jail expansion, an emergency operations center, courtroom improvements and library improvements; and to pay certain costs and expenses related to the issuance of the Series 2004 bonds, including the premiums for a municipal bond insurance policy and a reserve account insurance policy.

The bonds are secured by a pledge of the receipts of the County from the proceeds of the local government half-cent sales tax pursuant to Part VI, Chapter 218, Florida Statutes. In addition, the bonds are secured by the monies and investments in the accounts established under the resolution and the income and earnings from investments in those funds. For the fiscal year 2016, pledged revenues in the amount of \$9.1 million provided a coverage ratio of 9.55 times the annual debt service for the Capital Improvement Bonds, Series 2004.

Interest on the bonds is payable February 1 and August 1 of each year commencing August 1, 2004. The bonds carry interest rates ranging from 2.0% to 4.25% depending upon maturity date. Bonds maturing before February 1, 2015 are not subject to optional redemption prior to maturity. The bonds maturing on February 1, 2015 and thereafter are subject to redemption prior to stated maturity at the option of the County, in whole or in part, on February 1, 2014 or on any date thereafter at a redemption price equal to 100% of the principal amount of the Series 2004 bonds plus accrued interest.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

NON-AD VALOREM REFUNDING REVENUE BONDS, SERIES 2010

Non-Ad Valorem Refunding Revenue Bonds, Series 2010 dated February 19, 2010 in the aggregate amount of \$9,980,000 were issued during the fiscal year ended September 30, 2010. Of the total bonds issued, the portion attributable to the Governmental Fund is \$5,700,000. The bonds were issued to legally defease all of the outstanding Capital Improvement Revenue Refunding Bonds, Series 1998 and a portion of the Water and Sewer Refunding Revenue Bonds, Series 1998, and to pay certain costs and expenses relating to the issuance of the Series 2010 Bonds, including the premium for a financial guaranty insurance policy.

The Series 2010 Bonds are payable solely from the County's covenant to budget and appropriate in its annual budget Non-Ad Valorem revenues sufficient to pay principal and interest when due and pay all required deposits to the Rebate Fund. For the fiscal year 2016, pledged revenues in the amount of \$34.7 million provided a coverage ratio of 13.07 times the annual debt service for the combined Non-Ad Valorem Refunding Revenue Bonds, Series 2010 and the Non-Ad Valorem Refunding Revenue Note, Series 2012.

Interest on the bonds is payable February 1 and August 1 of each year, commencing August 2010. The bonds carry interest rates varying from 2.0% to 4.125%, depending upon maturity date. Bonds maturing on or before February 1, 2020 are not subject to optional redemption prior to their respective stated dates of maturity. Bonds maturing on February 1, 2021 and thereafter are subject to redemption prior to their respective dates of maturity.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

The following are the debt service requirements until maturity for the governmental activity bonds outstanding as of September 30, 2016:

<u>Year</u>	<u>Capital Improvement and Refunding Revenue Bonds Series 2004</u>		<u>Non-Ad Valorem Refunding Revenue Bonds Series 2010</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 935,000	\$ 16,363	\$ 335,000	\$ 107,019
2018			345,000	96,388
2019			350,000	84,656
2020			370,000	71,594
2021			380,000	57,294
2022-2024			1,235,000	76,628
Total	\$ <u>935,000</u>	\$ <u>16,363</u>	\$ <u>3,015,000</u>	\$ <u>493,579</u>

<u>Year</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,270,000	\$ 123,382
2018	345,000	96,388
2019	350,000	84,656
2020	370,000	71,594
2021	380,000	57,294
2022-2024	<u>1,235,000</u>	<u>76,628</u>
Total	\$ <u>3,950,000</u>	\$ <u>509,942</u>

Business-Type Activities

Water & Sewer District

HOLLAND SPRINGS BONDS

Revenue bonds (“Series E Bonds”) were issued to finance the construction of the Holland Springs water project, in the amount of \$659,450. The bonds were scheduled to mature April 1, 2025 with interest thereon at the rate of

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

7% per year payable each April 1 and October 1 beginning October 1, 1985. During the fiscal year ended September 30, 1989, an amended agreement was executed whereby \$619,500 of these revenue bonds were cancelled in exchange for connection fee credits to the developer in a like amount. The remaining \$39,950 of bonds remain outstanding and payable in accordance with the original bond provisions. The bonds are payable from Net Revenues only up to an amount per annum equal to twenty-five percent (25%) of that portion of the revenues in the immediately preceding fiscal year derived from the Holland Springs system in excess of \$20,000, as certified by the Consulting Engineer.

In the event that insufficient revenues to pay principal of and interest on the Series E Bonds are so derived from the Holland Springs system at the maturity date of the Series E Bonds, the lien of the Series E Bonds on Net Revenues shall be extinguished and the County shall be under no obligation to provide for the payment of the principal or interest on the Series E Bonds. As of year-end, insufficient revenues have been generated to require payment of principal or interest on these bonds. As such, these bonds have not been included in the following schedule of debt service requirements.

NON-AD VALOREM REFUNDING REVENUE BONDS, SERIES 2010

Non-Ad Valorem Refunding Revenue Bonds, Series 2010 dated February 19, 2010 in the aggregate amount of \$9,980,000 were issued during the fiscal year ended September 30, 2010. Of the total bonds issued, the portion attributable to the Water and Sewer District Fund is \$4,280,000. The bonds were issued to legally defease all of the outstanding Capital Improvement Revenue Refunding Bonds, Series 1998 and a portion of the Water and Sewer Refunding Revenue Bonds, Series 1998, and to pay certain costs and expenses relating to the issuance of the Series 2010 Bonds, including the premium for a financial guaranty insurance policy.

The Series 2010 Bonds are payable solely from the County's covenant to budget and appropriate in its annual budget Non-Ad Valorem revenues sufficient to pay principal and interest when due and pay all required deposits to the Rebate Fund. Because the pledge for these bonds is from Non-Ad Valorem revenues, and not from revenues of the Water and Sewer system, these bonds are not considered legal debt of the Water and Sewer Fund. It is, however, expected that Water and Sewer will pay their portion of the debt service. We have, therefore, included the debt as a liability for financial statement purposes. For the fiscal year 2016, pledged revenues in the amount of \$16 million provided a coverage ratio of 4.29 times the annual debt service for the combined Water and Sewer Bonds, Series 2013A and the Water and Sewer portion of the Non-Ad Valorem Refunding Revenue Bonds, Series 2010.

Interest on the bonds is payable February 1 and August 1 of each year, commencing August 2010. The bonds carry interest rates varying from 2.0% to 4.125%, depending upon maturity date. Bonds maturing on or before February 1, 2020 are not subject to optional redemption prior to their respective stated dates of maturity. Bonds maturing on February 1, 2021 and thereafter are subject to redemption prior to their respective dates of maturity.

WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2013A

Water and Sewer Refunding Revenue Bonds, Series 2013A dated July 6, 2013 in the aggregate amount of \$36,160,000 were issued during the fiscal year ended September 30, 2013. The bonds were issued to legally defease all of the outstanding Water and Sewer Refunding Revenue Bonds, Series 2003 and Water and Sewer Revenue Bonds, Series 2004, and to pay certain costs and expenses relating to the issuance of the Series 2013A Bonds, including the premiums for municipal bond insurance policy and reserve account insurance.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

The Series 2013A Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues and Connection Fees of the County's water and sewer system. For the fiscal year 2016, pledged revenues in the amount of \$16 million provided a coverage ratio of 4.29 times the annual debt service for the combined Water and Sewer Refunding Revenue Bonds, Series 2013A, and the Water and Sewer portion of the Non-Ad Valorem Refunding Revenue Bonds, Series 2010.

Interest on the bonds is payable June 1 and December 1 of each year, commencing December 2013. The bonds carry interest rates varying from 2.0% to 5.0%, depending upon maturity date. Bonds maturing on or before June 1, 2023 are not subject to optional redemption prior to their respective stated dates of maturity. Bonds maturing after June 1, 2023 are subject to redemption prior to their respective dates of maturity.

The following are the debt service requirements until maturity for the Hernando County Water and Sewer District revenue bonds, excluding the Holland Springs Bonds, as noted previously:

Year	Non-Ad Valorem Refunding Revenue Bonds Series 2010		Water and Sewer Refunding Revenue Bonds Series 2013A	
	Principal	Interest	Principal	Interest
2017	\$ 505,000	\$ 43,038	\$ 1,800,000	\$ 1,464,356
2018	515,000	27,094	1,870,000	1,392,356
2019	535,000	9,363	1,960,000	1,298,856
2020	-	-	1,200,000	1,200,856
2021	-	-	1,260,000	1,140,856
2022-2026	-	-	7,265,000	4,735,280
2027-2031	-	-	9,210,000	2,796,530
2032-2034	-	-	6,645,000	555,844
Total	\$ 1,555,000	\$ 79,495	\$ 31,210,000	\$ 14,584,934
Total				
Year	Principal	Interest		
2017	\$ 2,305,000	1,507,394		
2018	2,385,000	1,419,450		
2019	2,495,000	1,308,219		
2020	1,200,000	1,200,856		
2021	1,260,000	1,140,856		
2022-2026	7,265,000	4,735,280		
2027-2031	9,210,000	2,796,530		
2032-2034	6,645,000	555,844		
Total	\$ 32,765,000	\$ 14,664,429		

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE H – LONG-TERM LIABILITIES (CONTINUED)

The following is a reconciliation of total principal due on the Water and Sewer District's revenue bonds as of September 30, 2016, per the Statement of Net Position and the preceding amortization schedule:

Principal per amortization schedule	\$	32,765,000
Unamortized premium as of September 30, 2016		3,143,740
Bonds not included in amortization schedule, as noted above:		
Holland Springs Bonds		39,950
Total Carrying Value, Revenue Bonds		35,948,690
Current Portion, Revenue Bonds		(2,305,000)
Current Portion of unamortized premium		(178,783)
Long-Term Portion, Revenue Bonds	\$	33,464,907

4. DEFEASED BONDS

In prior years, the County defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds were not included in the County's financial statements. As of September 30, 2016, there were no defeased bonds.

5. DEBT COMPLIANCE

Various bond indentures contain significant limitations and restrictions on the County regarding annual debt service requirements, the use of certain restricted accounts, minimum sinking fund balances, and minimum revenue bond coverage. Management believes that the County has complied with all material financial related covenants.

6. CONDUIT DEBT OBLIGATIONS

Periodically, Hernando County has issued Industrial Revenue Development Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Hernando County is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2016 there was one series of outstanding Industrial Revenue Development Bonds, with an outstanding principal amount of \$168,076.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE I – RETIREMENT SYSTEM

General Information about the Florida Retirement System (FRS)

The Florida Retirement System (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 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 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).

For the year ended September 30, 2016, the County recorded pension payables of \$872,256 related to FRS (all plans) for the outstanding contributions to the Plans.

1. 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 for 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*—Members in senior management level positions.
- *Special Risk Class*—Members who are employed as law enforcement, fire and rescue and others who 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 adjustment to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipts of monthly benefit payments while continuing employment with an FRS employer.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE I – RETIREMENT SYSTEM (CONTINUED)

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 year's 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>Percent Value</u>
Regular Class Members Initially Enrolled Before July 1, 2011:	
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 years of service	1.68
Regular Class Members Initially Enrolled on or After July 1, 2011:	
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 years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Class	
Service from December 1, 1970 thru 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.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE I – RETIREMENT SYSTEM (CONTINUED)

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-2015 fiscal year were as follows:

<u>Class</u>	<u>Year Ended June 30, 2015</u>		<u>Year Ended June 30, 2016</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	6.07	3.00	5.56
FRS, Elected County Officers	3.00	41.94	3.00	40.57
FRS, Senior Management Service	3.00	19.84	3.00	22.73
FRS, Special Risk Regular	3.00	18.52	3.00	20.34
DROP—Applicable to Members from All of the Above Classes	0.00	11.02	0.00	11.22
FRS, Reemployed 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 contributions, including employee contributions, to the Plan totaled \$10,927,087 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 \$94,646,464 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 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the County's proportion was .374836315%, which was an increase of .038650175 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$14,818,775 related to the Plan. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 2,310,195	\$ -
Difference between Expected and Actual Experience	7,246,861	881,223
Changes in Assumptions	5,725,828	-
Changes in Proportion and Difference between County Contributions and Proportionate Share of Contributions	6,842,350	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>24,464,959</u>	<u>3,469,624</u>
Total	\$ <u>46,590,193</u>	\$ <u>4,350,847</u>

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE I – RETIREMENT SYSTEM (CONTINUED)

The deferred outflows of resources related to pensions, totaling \$2,310,195, resulting from County contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
2017	\$ 5,422,661
2018	5,422,661
2019	14,960,620
2020	10,901,571
2021	2,410,278
Thereafter	811,360
Total	\$ 39,929,151

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the individual entry age cost method and the following actuarial assumptions:

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, with adjustments for mortality improvements based on Scale AA.

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.

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 or 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Annual (Geometric) Return	Standard Deviation
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	100%			
Assumed Inflation-Mean		2.6%		1.9%

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE I – RETIREMENT SYSTEM (CONTINUED)

Discount Rate. The discount rate used to measure the total pension liability was 7.60%. The Plan's fiduciary net pension 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 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 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:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
County's Proportionate Share of Net Pension Liability	\$ <u>174,250,548</u>	\$ <u>94,646,464</u>	\$ <u>28,686,577</u>

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.

2. 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 Systems.

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. Effective July 1, 2015, the Legislature increased the HIS employer contribution rate from 1.26% to 1.66%, 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 a full subsidy benefit to all participants, benefits may be reduced or cancelled.

The County's contributions to the HIS Plan totaled \$1,190,541 for the fiscal year ended September 30, 2016.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE I – RETIREMENT SYSTEM (CONTINUED)

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 \$27,303,775 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 .234274955%, which was an increase of .011196231 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$2,491,983 related to the Plan. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 279,122	\$ -
Difference between Expected and Actual Experience	-	62,187
Changes in Assumptions	4,284,657	-
Changes in Proportion and Difference between County Contributions and Proportionate Share of Contributions	1,567,636	231,029
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>13,805</u>	<u>-</u>
Total	<u>\$ 6,145,220</u>	<u>\$ 293,216</u>

The deferred outflows of resources related to pensions, totaling \$279,122, 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 year ended September 30, 2017. 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	\$ 981,967
2018	981,967
2019	979,338
2020	978,076
2021	899,453
Thereafter	<u>752,081</u>
Total	<u>\$ 5,572,882</u>

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE I – RETIREMENT SYSTEM (CONTINUED)

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	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.

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 Net Pension Liability	\$ 31,323,634	\$ 27,303,775	\$ 23,967,513

Pension Plan Fiduciary Net Pension. 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.

3. 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.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE I – RETIREMENT SYSTEM (CONTINUED)

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 the 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 Officials, 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	Percentage of Gross Contributions
FRS, Regular	3.30
FRS, Elected County Officers	8.34
FRS, Senior Management Services	4.67
FRS, Special Risk	11.00

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 and by forfeit benefits of Investment Plan members. For the fiscal year 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.

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.

Pension expense for the County's Investment Plan totaled \$797,696 for the fiscal year ended September 30, 2016.

The amount of the County's liability outstanding at year end for the investment plan was immaterial.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE J – POST EMPLOYMENT BENEFITS OTHER THAN PENSION

1. SUMMARY AND PLAN DESCRIPTION

In addition to the retirement plan described in Note I, the County provides post-retirement health care benefits in accordance with Section 112.0801, Florida Statutes, to all employees who retire from the employ of the County. This is administered via a single-employer defined benefit healthcare plan (the "Plan"). In most cases, the retiree pays 100% of the premium cost for the retiree to participate in the County's insurance program. As a rule, the cost of health care increases with age. Thus age-adjusted healthcare premiums for active employees can normally be expected to be less than age-adjusted premiums for retirees. When a single premium is established for both active employees and retirees, the retiree 'benefits' from an abnormally low premium. Governmental Accounting Standards Board (GASB) Statement No. 45 describes such an arrangement as an 'implicit rate subsidy' and mandates that any retiree savings be treated as Other Post-Employment Benefits (OPEB) even though the employer makes no payments directly on behalf of retirees. The Plan provides healthcare benefits including medical coverage, prescription drug benefits, vision care, dental care and life insurance coverage to both active and eligible retired employees. Dental and vision care benefits are immaterial and are not believed to result in an OPEB; therefore, they are not included in the OPEB calculation. The Plan does not issue a separate financial report.

Currently, there are no direct subsidies provided by any of the County agencies to retired employees. The Sheriff's Office offered a subsidy to help pay the premium required to continue coverage under the County's plan, but effective November 1, 2010, that was discontinued.

Eligibility for participation in the Plan is limited to full time employees of the County, employees who are active participants in the Plan at the time of retirement, who retire and are either vested with the Florida Retirement System (FRS), are vested in the FRS and are age 62, have 30 years of creditable service before age 62, or meet alternative criteria if disabled or a member of a Special Risk Class. Surviving spouses or dependents of participating retirees may continue in the Plan if eligibility criteria specific to those classes are met. In an open session, the County approves the Plan rates for the enrollment period, and may amend the Plan with changes to the benefits, premiums and/or levels of participant contribution at any time.

At October 1, 2014, the date of the latest actuarial valuation, plan participation consisted of:

Active Plan Participants	1,304
Retirees and Beneficiaries Receiving Benefits	<u>81</u>
Total Membership	<u>1,385</u>

2. FUNDING POLICY

Currently, the County's OPEB benefits are unfunded. The County has the authority to establish and amend a funding policy; however, no Trust contributions are legally or contractually required. The County set aside funds in a budgeted reserve to partially cover the Annual Required Contribution (ARC) for each fiscal year since September 30, 2008. The balance of those reserves at fiscal year end was \$3,000,000.

3. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The County's annual cost (expense) for Other Post-Employment Benefits (OPEB) is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE J – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed, and the changes in the net OPEB obligation.

Annual required contribution	\$	1,768,248
Interest on net OPEB obligation		312,800
Less: Adjustment to annual required contribution		<u>(388,571)</u>
Annual OPEB cost (expense)		1,692,477
Less: Contributions made		<u>(714,917)</u>
Increase in net OPEB obligation		977,560
Net OPEB obligation-beginning of year		<u>8,937,130</u>
Net OPEB obligation-end of year	\$	<u><u>9,914,690</u></u>

The County's annual OPEB cost, annual amount contributed (including as a percentage of annual OPEB cost), and net OPEB obligation for the current and the two preceding years were as follows:

Year Ended September 30	Annual OPEB Cost	Estimated Amount Contributed	% of Annual OPEB Cost Contributed	Estimated Net OPEB Obligation
2014	1,578,073	356,554	22.59%	7,900,106
2015	1,637,272	600,248	36.66%	8,937,130
2016	1,692,477	714,917	42.24%	9,914,690

4. FUNDED STATUS AND FUNDING PROGRESS

As of the October 1, 2014 actuarial valuation date, the actuarial accrued liability (AAL) was \$17.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was \$62.4 million and the ratio of the unfunded actuarial accrued liability (UAAL) to covered payroll was 28.7%.

5. 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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE J – POST EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actual methods are:

Actuarial cost method	Entry Age Normal
Amortization method	Level of percentage of projected payroll, closed
Amortization period	23 years on a closed basis
Asset valuation method	Unfunded, fair value

The actuarial assumptions are:

Inflation rate	2.5%
Investment rate of return	3.5%
Projected annual salaries increase	4.0% - 7.8%
Healthcare cost trend rate	7.5% for the initial year decreased to 7.0% in the second year and varying each subsequent year until reaching 4.54%

NOTE K – ARBITRAGE REBATE LIABILITY

Hernando County calculates and records the estimated liability for arbitrage rebate on its outstanding bonds. The rebate calculations are done pursuant to Internal Revenue Code Section 148. The amount to be rebated is calculated as the excess of amounts earned on investments of bond proceeds over amounts that would have been earned if investments had been invested at a rate equal to the rate of yield on the bond issue, plus any income attributable to such excess. The regulations provide that the first rebate payment must be made not later than sixty (60) days after the end of the fifth bond year of the issue; the last installment payment must be made within sixty (60) days after the day on which the issue's last obligation is redeemed. As of September 30, 2016 there is no estimated rebate liability on any of the County's bond issues.

NOTE L – PROPERTY TAXES

Property tax collections, sales, and liens are governed by Chapter 197 of the Florida Statutes.

The Just/Market Value of all properties in the County is established by the Property Appraiser as of January 1 of each year for the subsequent fiscal year. Taxable Value is computed after deducting from Assessed Value various exemptions including governmental, educational, religious, institutional and qualified personal exemptions e.g.; homestead, widow or widower, blind, disabled, and various veteran's exemptions.

All property taxes are levied and become due and payable on November 1 of each year, and are delinquent on April 1 of the following year. Discounts are allowed for early payment of 4%, 3%, 2% and 1% in November through February, respectively. Delinquent taxes on real property may be paid after the date of delinquency but prior to the sale of a tax certificate by paying all taxes, costs, advertising charges, and interest of 18% per annum. For all real property with delinquent taxes, the Tax Collector advertises as required by Statute and sells tax certificates. All unsold certificates are issued to the County.

Any person owning real property upon which a tax certificate has been sold may redeem the property by paying the face amount of the tax certificate plus interest and costs associated with the sale of the certificate.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE L – PROPERTY TAXES (CONTINUED)

After taxes have been delinquent (April 1) for two years, the owner of a tax certificate may file an application for tax deed sale. The County is able to do the same for two years after taxes were due (November 1). All taxes imposed on any property become a first lien; superior to all other liens, as of January 1, of the year the taxes are levied.

NOTE M – RISK MANAGEMENT

The County's risk management activities are recorded in the Internal Service Funds (Risk Management, Workers' Compensation, County and Sheriff Health Insurance). The purpose of these funds is to administer workers' compensation, unemployment and disability insurance, property and liability insurance and health insurance. These funds account for the risk financing activities of the County but do not constitute a transfer of risk from the County.

Significant losses are covered by commercial insurance for all major programs, except workers' compensation. The County and the Sheriff are self-insured for health benefits. For insured programs, there have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or prior three years.

The Workers' Compensation fund is a self-insurance program for workers' compensation claims on losses up to \$1,100,000 per occurrence and is indemnified against losses in excess of these amounts. The Workers' Compensation fund has indemnified each fund against any losses in a given year in excess of the fee charged. In the event actual losses are less than the fee charged, such amounts will be retained in the Workers' Compensation fund. Claim settlements and losses are accrued and subsequently paid from the Workers' Compensation fund. As of September 30, 2016 claims accrued, including an estimate for claims incurred but not reported, were \$2,730,000. The County records an estimated liability for workers' compensation. Claims liabilities are based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience.

On October 1, 2011, the Sheriff's Office established a self-insurance program under Florida Statute 112.08 to reduce employee medical costs. The program is administered by an outside third party, and uses a combination of self-insurance and specific and aggregate stop-loss coverage to minimize risk exposure. It is accounted for in an Internal Service Fund. Fund revenues are primarily contributions from other funds, retirees, and employees, for amounts needed to pay insurance premiums, anticipated self-insured losses, and administrative expenses.

On October 1, 2014, the Board of County Commissioners established a County self-insurance program under Florida Statute 112.08 to reduce employee medical costs. The program facilitates self-insurance for the Board, Clerk of Court and Comptroller, Supervisor of Elections, Tax Collector and Property Appraiser. The program is administered by an outside third party, and uses a combination of self-insurance and aggregate stop-loss coverage to minimize risk exposure. It is accounted for in an Internal Service Fund. Fund revenues are primarily contributions from other funds, retirees, and employees for amounts needed to pay insurance premiums, anticipated self-insured losses, and administrative expenses.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE M – RISK MANAGEMENT (CONTINUED)

CLAIMS LIABILITIES

	<u>Workers'</u> <u>Compensation</u>	<u>Sheriff Health</u> <u>Insurance</u>	<u>County Health</u> <u>Insurance</u>
Liability balance September 30, 2014	\$ 3,770,000	\$ 251,998	\$ -
Claims incurred	374,958	3,690,198	8,065,946
Claims paid	<u>(874,958)</u>	<u>(3,622,172)</u>	<u>(7,552,223)</u>
Liability balance September 30, 2015	3,270,000	320,024	513,723
Claims incurred	1,150,062	4,744,409	9,415,519
Claims paid	<u>(1,690,062)</u>	<u>(4,767,370)</u>	<u>(9,374,263)</u>
Liability balance September 30, 2016	<u>\$ 2,730,000</u>	<u>\$ 297,063</u>	<u>\$ 554,979</u>
Cash available to pay claims September 30, 2016			
Reported in governmental activities	<u>\$ 6,109,786</u>	<u>\$ 5,322,304</u>	<u>\$ 3,469,072</u>

NOTE N – CLOSURE AND POSTCLOSURE CARE COSTS

The County's active landfills are at the Northwest facility, and include a Class 1 landfill (Cells 1, 2 & 3) and a C&D landfill. State and federal laws and regulations require the Waste Management Division (the Division) to place final covers on the active County landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the site. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Division reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. As of September 30, 2016, the Division has accrued a total of \$4,355,651 in liabilities related to estimated closure and postclosure care costs.

Cells 1 and 2 at the Class 1 landfill were partially closed in 2014 at a cost of \$3,158,604. Remaining closure costs of \$5,291,904, as show in the table below, are primarily for Cell 3. Cell 3 is approximately 28% filled at September 30, 2016, and has a remaining design life of approximately 12 years. Postclosure maintenance and monitoring functions will be required for thirty years after closure. Remaining estimated postclosure costs for the Class 1 landfill (all Cells) are \$4,415,324. The class 1 landfill (all Cells) is approximately 59% filled at September 30, 2016. The County will recognize the remaining costs that have not been accrued (closure costs of \$3,790,040 and postclosure costs of \$1,789,358) as the remaining estimated capacity is filled.

The C&D landfill is approximately 91% filled at September 30, 2016, and has a remaining design life of less than one year. Postclosure maintenance and monitoring functions will be required for five years after closure. Remaining estimated closure and postclosure costs for the C&D landfill are \$157,249 and \$93,385, respectively. The County will recognize the remaining costs that have not been accrued (closure costs of \$14,313 and postclosure costs of \$8,500) as the remaining estimated capacity is filled.

All cost estimates are in current dollars. Actual costs may be higher or lower due to inflation, changes in technology or processes, or changes in regulations.

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE N – CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

Following is a table showing the remaining costs and amount accrued for the combined Northwest facility:

Landfill	Estimated Remaining Closure Costs	Percent Accrued	Closure Accrued Liability at 9/30/16	Estimated Remaining Postclosure Costs	Percent Accrued	Postclosure Accrued Liability at 9/30/16	Total Accrued Liability at 9/30/16
NW Cells 1, 2 & 3	\$ 5,291,904	28.38%	\$ 1,501,864	\$ 4,415,324	59.47%	\$ 2,625,966	\$ 4,127,830
NW C & D	<u>157,249</u>	90.90%	<u>142,936</u>	<u>93,385</u>	90.90%	<u>84,885</u>	<u>227,821</u>
	<u>\$ 5,449,153</u>		<u>\$ 1,644,800</u>	<u>\$ 4,508,709</u>		<u>\$ 2,710,851</u>	<u>\$ 4,355,651</u>

Amortization expense for 2016 was \$76,074 for the Class 1 landfill and (\$608,353) for the C&D landfill. This expense was negative for 2016 primarily because of significantly reduced revised estimates of the remaining postclosure costs. The annual postclosure cost estimated for the C&D landfill was reduced from \$776,840 per year to \$157,249 per year during 2016. The primary factor in the reduction was a redesigned leachate disposal process.

The Division is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care. The Division believes it is in compliance with these requirements, and at September 30, 2016, cash and investments of \$7,322,818 are held for these purposes. These are reported as restricted assets on the Statement of Net Position. The Division expects that future inflation costs will be paid from the interest earnings on these contributions.

NOTE O – DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The deferred outflows of resources and deferred inflows of resources in the Statement of Net Position and Statement of Governmental Funds Balance Sheet are aggregated. Following are details of the aggregated amounts.

	Governmental Activities	Business-Type Activities
Statement of Net Position		
Deferred Outflows of Resources:		
Deferred charge on debt refunding	\$ 884,691	\$ 1,594,046
Pensions	\$ 49,456,824	\$ 3,278,589
Deferred Inflows of Resources:		
Pensions	\$ 4,396,732	\$ 247,331
Statement of Governmental Funds Balance Sheet		
Deferred Inflows of Resources:		
Receipt of taxes, applicable to a future period	\$ 1,569,839	-
Receipt of ambulance fees, applicable to a future period	\$ 1,147,885	-
Receipt of other items, applicable to a future period	\$ 290,349	-

HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

NOTE P – SEGMENT INFORMATION

The County has four enterprise funds and has elected to separately report each as a major fund in the Basic Financial Statements. For this reason, segment information is not provided in the notes.

NOTE Q – CONTINGENCIES

1. GENERAL LITIGATION

As part of the ordinary course of operations, the County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Currently, the County is at varying stages in certain actions against it. Although the outcome of these actions is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

2. GRANTS AND CONTRACTS

The County participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of the County.

All County agencies and departments are required to comply with various federal and state regulations if such agency or department is a recipient of a federal or state grant, contract or their sponsored agreement. Certain agencies and departments may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the County.

NOTE R – SUBSEQUENT EVENTS

LINE OF CREDIT

On February 14, 2017, the County closed on the first extension of a \$15,000,000 Non-Revolving Line of Credit, dated October 22, 2015 for the purpose of financing various capital improvement projects within the County. The Line of Credit agreement has both a tax-exempt and a taxable option, allows for draws with 3, 5, 7, 10 and 15 year terms, and has no prepayment penalty. On the date of closing, the county made its first draw of \$600,000 for the purpose of financing the purchase of County vehicles. This first draw is to be repaid over a 3-year term from Fleet Replacement Internal Service Fund.

**HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS
September 30, 2016**

<u>Actuarial Valuation Date (a)</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Amortization Method</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UALL as a Percentage Of Covered Payroll</u>
10/01/06	-	Projected Unit Credit	\$ 8,813,000	\$ 8,813,000	0.00%	\$ 40,607,170	21.7%
10/01/08	-	Projected Unit Credit	\$ 11,794,000	\$ 11,794,000	0.00%	\$ 58,465,695	20.1%
10/01/10	-	Entry Age	\$ 17,993,474	\$ 17,993,474	0.00%	\$ 61,325,882	29.3%
10/01/12	-	Entry Age	\$ 13,293,147	\$ 13,293,147	0.00%	\$ 62,075,001	21.4%
10/01/14	-	Entry Age	\$ 17,923,915	\$ 17,923,915	0.00%	\$ 62,434,507	28.7%

(a) Tenth year of plan disclosure, no prior data available

**HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
September 30, 2016**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	<u>September 30, 2015</u>	<u>September 30, 2016</u>
County's Proportion of the FRS Net Pension Plan	0.336186138%	0.3748363150%
County's Proportionate Share of the FRS Net Pension Liability	\$ 43,422,948	\$ 94,646,464
County's Covered-Employee Payroll	\$ 68,651,508	\$ 67,886,891
County's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	63.25%	139.42%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%	84.88%

Note: The amounts shown above as reported on the date indicated have a measurement date three months prior. Covered-employee payroll is for the year shown. Additional information will be provided annually until ten years' data is presented.

HEALTH INSURANCE SUBSIDY PENSION PLAN

	<u>September 30, 2015</u>	<u>September 30, 2016</u>
County's Proportion of the FRS Net Pension Plan	0.223078724%	0.234274955%
County's Proportionate Share of the FRS Net Pension Liability	\$ 22,750,521	\$ 27,303,775
County's Covered-Employee Payroll	\$ 68,632,966	\$ 67,886,891
County's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	33.15%	40.22%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	.50%	.97%

Note: The amounts shown above as reported on the date indicated have a measurement date three months prior. Covered-employee payroll is for the year shown. Additional information will be provided annually until ten years' data is presented.

**HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
September 30, 2016**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	<u>2015</u>	<u>2016</u>
Contractually Required Contributions	\$ 8,393,369	\$ 8,953,651
FRS Contribution in Relation to the Contractually Required Contributions	<u>(8,393,369)</u>	<u>(8,953,651)</u>
FRS Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>
County's Covered-Employee Payroll	\$ 68,651,508	\$ 67,886,891
FRS Contributions as a Percentage of Covered-Employee Payroll	12.23%	13.19%

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

HEALTH INSURANCE SUBSIDY PENSION PLAN

	<u>2015</u>	<u>2016</u>
Contractually Required Contributions	\$ 933,323	\$ 1,190,541
FRS Contribution in Relation to the Contractually Required Contributions	<u>(933,323)</u>	<u>(1,190,541)</u>
FRS Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>
County's Covered-Employee Payroll	\$ 68,632,966	\$ 67,885,892
FRS Contributions as a Percentage of Covered-Employee Payroll	1.36%	1.75%

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

HERNANDO COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2016

NOTE 1 – SCHEDULES OF NET PENSION LIABILITY AND SCHEDULES OF CONTRIBUTIONS

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:** No significant changes. The inflation rate assumption remained at 2.60% and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return was reduced to 7.60%.
- **HIS:** The municipal bond rate used to determine total pension liability decreased from 3.80% to 2.85%.



Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Special Revenue Funds

Stormwater Management

To account for the proceeds of ad valorem taxes and other revenues for the purpose of funding Stormwater Management.

Sensitive Lands

To account for the proceeds of ad valorem taxes and other revenues for the purpose of purchasing environmentally sensitive lands.

State Housing Initiative Partnership

To account for the grant proceeds and associated expenditures of a low income housing assistance program.

Court-Related Funds

To account for the proceeds of revenues received for the purpose of funding court-related technology, court improvements, court innovations, juvenile alternative programs, law library, legal aid, youth court and treatment of alcohol and other drug abuse.

Municipal Service Benefit Units Special Revenue Fund

To account for the proceeds of assessments levied for the purpose of funding road improvements, street lighting, fire hydrant maintenance, and other services within the various Municipal Service Benefit Units of the County.

Hernando County Fire Rescue-Rescue

To account for the revenue and expenditures related to providing ambulance and rescue services within this district.

Miscellaneous Special Revenue Funds

To account for the revenues from specific taxes or other earmarked revenue sources which by law are designated to finance particular functions or activities of government and which, therefore, cannot be diverted to other uses. Included in this fund are the following: Hernando/Citrus MPO, Florida Boating Improvement Program, Health Department, State and Local Mosquito Control, Law Enforcement Trust Fund, Crime Prevention, Tourist Development Tax, Affordable Housing, Landscape Enhancement, Industrial/Economic Incentives, Library Estate and Dori Slosberg Driver Education Safety.

Clerk of Court & Comptroller Special Revenue Funds

To account for the funds received in the Clerk of Circuit Court's Records Modernization Fund and Fines and Forfeitures Fund.

Property Appraiser Special Revenue Funds

To account for the funds received in the Property Appraiser's Graphic Information Systems Fund, Addressing Fund, Addressing Fees Fund, GIS Business Units Fund and the County Fees and Commissions Fund.

Sheriff Special Revenue Funds

To account for the funds received in the Sheriff's Law Enforcement Education Fund, Child Saver Program Fund, Inmate Welfare Fund, Grants and Contributions Fund, Federal Forfeitures Fund, Sheriff E911 Fund and 800MHz Fund.

Debt Service Funds

Capital Improvement and Refunding Revenue Bonds 2004

To account for the debt service requirements of the Capital Improvement and Refunding Revenue Bonds, Series 2004.

Non-Ad Valorem Refunding Revenue Bonds 2010

To account for the debt service requirements of the Non-Ad Valorem Refunding Revenue Bonds, Series 2010.

Gas Tax Revenue Refunding Bonds 2002

To account for the debt service requirements of the Gas Tax Revenue Refunding Bonds, Series 2002.

Non-Ad Valorem Refunding Revenue Note 2012

To account for the debt service requirements of the Non-Ad Valorem Refunding Revenue Note, Series 2012.

Capital Project Funds

Capital Improvement Program

To account for the capital outlay expenditures of the Board of County Commissioners General Fund.

HERNANDO COUNTY, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2016

	Special Revenue Funds		
	Stormwater Management	Sensitive Lands	State Housing Initiative Partnership
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Pooled Cash and Investments	5,375,005	5,861,576	423,071
Accounts Receivable (net)	-	-	53,406
Due from Other Funds	12,681	15	-
Due from Other Governments	1,688	-	-
Inventories	-	-	-
Prepaid Items	-	-	-
	-	-	-
Total Assets	\$ 5,389,374	\$ 5,861,591	\$ 476,477
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 22,814	\$ 27,413	\$ 22,634
Retainage Payable	-	-	-
Accrued Liabilities	3,391	3,300	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	-	-	-
Deposits	-	500	-
Advances from Other Funds	-	-	-
	-	-	-
Total Liabilities	26,205	31,213	22,634
Deferred Inflows of Resources			
Unavailable Revenue	-	-	-
Fund Balances			
Nonspendable:			
Inventories	-	-	-
Prepaid Items	-	-	-
Restricted for:			
Grant Funded Programs	-	-	453,843
Court Programs	-	-	-
Special Assessment Projects	-	-	-
Environment Conservation	5,363,169	5,830,378	-
Bond covenants or debt service	-	-	-
Public Safety	-	-	-
Capital Projects	-	-	-
Other Purposes	-	-	-
Committed to:			
Other Purposes	-	-	-
Assigned to:			
Economic Development	-	-	-
Capital Projects	-	-	-
Other	-	-	-
	-	-	-
Unassigned	-	-	-
	-	-	-
Total Fund Balances	5,363,169	5,830,378	453,843
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,389,374	\$ 5,861,591	\$ 476,477

See accompanying independent auditors' report.

Special Revenue Funds

Court-Related Funds	Municipal Service Benefit Units	Hernando County Fire Rescue - Rescue	Miscellaneous Special Revenue Funds
\$ -	\$ 250	\$ -	\$ 400
5,365,864	3,650,370	4,259,381	4,857,873
87,263	-	2,119,733	68,076
-	25,627	73,753	998
4,678	-	4,895	104,217
-	-	1,800	-
-	-	9,516	-
\$ 5,457,805	\$ 3,676,247	\$ 6,469,078	\$ 5,031,564
\$ 71,853	\$ 239,032	\$ 58,463	\$ 73,733
-	9,931	-	-
7,214	-	136,462	18,333
-	341,644	-	-
-	-	-	-
-	-	60,000	4,015
-	-	-	-
-	82,000	-	450,000
79,067	672,607	254,925	546,081
-	-	1,147,885	53,045
-	-	1,800	-
-	-	9,516	-
-	-	-	47,016
5,378,738	-	-	-
-	321,087	-	-
-	-	-	-
-	1,365,250	-	-
-	-	5,054,952	-
-	1,317,303	-	-
-	-	-	2,116,562
-	-	-	314,249
-	-	-	1,843,905
-	-	-	-
-	-	-	110,706
-	-	-	-
5,378,738	3,003,640	5,066,268	4,432,438
\$ 5,457,805	\$ 3,676,247	\$ 6,469,078	\$ 5,031,564

HERNANDO COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2016

	Special Revenue Funds		
	Clerk of Court and Comptroller Special Revenue Funds	Property Appraiser Special Revenue Funds	Sheriff Special Revenue Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 987,516	\$ 3,905,116
Pooled Cash and Investments	2,104,498	-	-
Accounts Receivable (net)	-	-	31,146
Due from Other Funds	-	-	-
Due from Other Governments	68,264	-	414,643
Inventories	-	-	-
Prepaid Items	36,371	-	-
Total Assets	\$ 2,209,133	\$ 987,516	\$ 4,350,905
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 9,466	\$ 394	\$ 21,969
Retainage Payable	-	-	-
Accrued Liabilities	102,117	-	20,289
Due to Other Funds	135,217	53,899	-
Due to Other Governments	490,299	248	-
Unearned Revenue	-	-	-
Deposits	157,470	-	140
Advances from Other Funds	-	-	-
Total Liabilities	894,569	54,541	42,398
Deferred Inflows of Resources			
Unavailable Revenue	-	-	162,475
Fund Balances			
Nonspendable:			
Inventories	-	-	-
Prepaid Items	36,371	-	-
Restricted for:			
Grant Funded Programs	-	-	-
Court Programs	-	-	-
Special Assessment Projects	-	-	-
Environment Conservation	-	-	-
Bond covenants or debt service	-	-	-
Public Safety	-	-	4,146,032
Capital Projects	-	-	-
Other Purposes	1,278,193	-	-
Committed to:			
Other Purposes	-	932,975	-
Assigned to:			
Economic Development	-	-	-
Capital Projects	-	-	-
Other	-	-	-
Unassigned	-	-	-
Total Fund Balances	1,314,564	932,975	4,146,032
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,209,133	\$ 987,516	\$ 4,350,905

Debt Service Funds

Total Special Revenue Funds	Capital Improvement and Refunding Revenue Bonds 2004	Non-Ad Valorem Refunding Revenue Bonds 2010	Non-Ad Valorem Refunding Revenue Note 2012
\$ 4,893,282	\$ -	\$ -	\$ -
31,897,638	7,319	8,572	5,763
2,359,624	-	-	-
113,074	-	-	-
598,385	-	-	-
1,800	-	-	-
45,887	-	-	-
\$ 39,909,690	\$ 7,319	\$ 8,572	\$ 5,763
\$ 547,771	\$ -	\$ -	\$ -
9,931	-	-	-
291,106	-	-	-
530,760	-	-	-
490,547	-	-	-
64,015	-	-	-
158,110	-	-	-
532,000	-	-	-
2,624,240	-	-	-
1,363,405	-	-	-
1,800	-	-	-
45,887	-	-	-
500,859	-	-	-
5,378,738	-	-	-
321,087	-	-	-
11,193,547	-	-	-
1,365,250	7,319	8,572	5,763
9,200,984	-	-	-
1,317,303	-	-	-
3,394,755	-	-	-
1,247,224	-	-	-
1,843,905	-	-	-
-	-	-	-
110,706	-	-	-
-	-	-	-
35,922,045	7,319	8,572	5,763
\$ 39,909,690	\$ 7,319	\$ 8,572	\$ 5,763

HERNANDO COUNTY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2016

	<u>Capital Project Fund</u>		
	<u>Total Debt Service Funds</u>	<u>Capital Improvement Program</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ 4,893,282
Pooled Cash and Investments	21,654	864,411	32,783,703
Accounts Receivable (net)	-	-	2,359,624
Due from Other Funds	-	-	113,074
Due from Other Governments	-	-	598,385
Inventories	-	-	1,800
Prepaid Items	-	-	45,887
Total Assets	\$ 21,654	\$ 864,411	\$ 40,795,755
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ -	\$ 15,243	\$ 563,014
Retainage Payable	-	-	9,931
Accrued Liabilities	-	-	291,106
Due to Other Funds	-	-	530,760
Due to Other Governments	-	-	490,547
Unearned Revenue	-	-	64,015
Deposits	-	-	158,110
Advances from Other Funds	-	-	532,000
Total Liabilities	-	15,243	2,639,483
Deferred Inflows of Resources			
Unavailable Revenue	-	-	1,363,405
Fund Balances			
Nonspendable:			
Inventories	-	-	1,800
Prepaid Items	-	-	45,887
Restricted for:			
Grant Funded Programs	-	-	500,859
Court Programs	-	-	5,378,738
Special Assessment Projects	-	-	321,087
Environment Conservation	-	-	11,193,547
Bond covenants or debt service	21,654	-	1,386,904
Public Safety	-	-	9,200,984
Capital Projects	-	-	1,317,303
Other Purposes	-	-	3,394,755
Committed to:			
Other Purposes	-	-	1,247,224
Assigned to:			
Economic Development	-	-	1,843,905
Capital Projects	-	849,168	849,168
Other	-	-	110,706
Unassigned	-	-	-
Total Fund Balances	21,654	849,168	36,792,867
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 21,654	\$ 864,411	\$ 40,795,755



HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2016

	Special Revenue Funds		
	Stormwater Management	Sensitive Lands	State Housing Initiative Partnership
Revenues			
Taxes	\$ 814,575	\$ 1,196	\$ -
Licenses and Permits	-	-	-
Intergovernmental	6,196	-	878,463
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Special Assessments	-	-	-
Interest	61,838	67,104	9,528
Miscellaneous	44,047	1,230	293,321
Total Revenues	926,656	69,530	1,181,312
Expenditures			
Current			
General Government	-	-	-
Public Safety	-	-	-
Physical Environment	457,187	364,946	-
Transportation	-	-	-
Economic Environment	-	-	1,274,443
Human Services	-	-	-
Culture and Recreation	-	-	-
Court Operations	-	-	-
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Capital Outlay	103,921	-	-
Total Expenditures	561,108	364,946	1,274,443
Excess of Revenues Over (Under) Expenditures	365,548	(295,416)	(93,131)
Other Financing Sources (Uses)			
Transfers In	12,681	430	-
Transfers Out	-	-	-
Additions to Long-Term Debt	-	-	-
Total Other Financing Sources (Uses)	12,681	430	-
Net Change in Fund Balances	378,229	(294,986)	(93,131)
Fund Balances at Beginning of Year	4,984,940	6,125,364	546,974
Fund Balances at End of Year	\$ 5,363,169	\$ 5,830,378	\$ 453,843

See accompanying independent auditors' report.

Special Revenue Funds

Court-Related Funds	Municipal Service Benefit Units	Hernando County Fire Rescue - Rescue	Miscellaneous Special Revenue Funds
\$ -	\$ -	\$ 4,807,423	\$ 1,636,804
-	-	-	-
14,288	-	19,260	717,358
1,177,476	-	7,307,447	30,520
-	-	-	194,506
-	2,142,799	-	-
59,236	32,400	56,343	56,622
65	51,182	59,132	183,669
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,251,065</u>	<u>2,226,381</u>	<u>12,249,605</u>	<u>2,819,479</u>
-	-	-	613,453
-	230,515	10,122,913	160,869
-	2,737	-	5,009
-	1,155,472	-	16,349
-	-	-	1,288,001
-	-	-	1,472,558
-	-	-	106,211
942,153	-	-	-
-	315,232	106,991	-
-	56,736	10,438	-
<u>63,662</u>	<u>526,169</u>	<u>37,249</u>	<u>155,234</u>
<u>1,005,815</u>	<u>2,286,861</u>	<u>10,277,591</u>	<u>3,817,684</u>
<u>245,250</u>	<u>(60,480)</u>	<u>1,972,014</u>	<u>(998,205)</u>
162,734	2,340,065	189,042	592,696
-	(1,209,978)	(440,500)	-
<u>-</u>	<u>756,845</u>	<u>-</u>	<u>-</u>
<u>162,734</u>	<u>1,886,932</u>	<u>(251,458)</u>	<u>592,696</u>
<u>407,984</u>	<u>1,826,452</u>	<u>1,720,556</u>	<u>(405,509)</u>
<u>4,970,754</u>	<u>1,177,188</u>	<u>3,345,712</u>	<u>4,837,947</u>
<u>\$ 5,378,738</u>	<u>\$ 3,003,640</u>	<u>\$ 5,066,268</u>	<u>\$ 4,432,438</u>

Continued

HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2016

	Special Revenue Funds		
	Clerk of Court and Comptroller Special Revenue Funds	Property Appraiser Special Revenue Funds	Sheriff Special Revenue Funds
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	427,529	865,798	162,889
Charges for Services	3,382,746	74,077	2,612,222
Fines and Forfeitures	987,556	-	284,663
Special Assessments	-	-	-
Interest	20,283	819	4,760
Miscellaneous	-	-	108,892
Total Revenues	4,818,114	940,694	3,173,426
Expenditures			
Current			
General Government	56,591	765,173	-
Public Safety	-	-	1,664,766
Physical Environment	-	-	-
Transportation	-	-	-
Economic Environment	-	-	-
Human Services	-	-	-
Culture and Recreation	-	-	-
Court Operations	4,418,656	-	-
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Capital Outlay	19,008	13,155	36,418
Total Expenditures	4,494,255	778,328	1,701,184
Excess of Revenues Over (Under) Expenditures	323,859	162,366	1,472,242
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(135,217)	(53,899)	-
Additions to Long-Term Debt	-	-	-
Total Other Financing Sources (Uses)	(135,217)	(53,899)	-
Net Change in Fund Balances	188,642	108,467	1,472,242
Fund Balances at Beginning of Year	1,125,922	824,508	2,673,790
Fund Balances at End of Year	\$ 1,314,564	\$ 932,975	\$ 4,146,032

Debt Service Funds

Total Special Revenue Funds	Capital Improvement and Refunding Revenue Bonds 2004	Non-Ad Valorem Refunding Revenue Bonds 2010	Gas Tax Revenue Refunding Bonds 2002	Non-Ad Valorem Refunding Revenue Note 2012
\$ 7,259,998	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
3,091,781	-	-	-	-
14,584,488	-	-	-	-
1,466,725	-	-	-	-
2,142,799	-	-	-	-
368,933	89	104	684	151
741,538	-	-	-	-
29,656,262	89	104	684	151
1,435,217	6	7	5	9
12,179,063	-	-	-	-
829,879	-	-	-	-
1,171,821	-	-	-	-
2,562,444	-	-	-	-
1,472,558	-	-	-	-
106,211	-	-	-	-
5,360,809	-	-	-	-
422,223	905,000	325,000	-	1,610,000
67,174	49,310	116,894	-	603,301
954,816	-	-	-	-
26,562,215	954,316	441,901	5	2,213,310
3,094,047	(954,227)	(441,797)	679	(2,213,159)
3,297,648	954,110	441,709	-	2,214,301
(1,839,594)	-	-	(61,647)	-
756,845	-	-	-	-
2,214,899	954,110	441,709	(61,647)	2,214,301
5,308,946	(117)	(88)	(60,968)	1,142
30,613,099	7,436	8,660	60,968	4,621
\$ 35,922,045	\$ 7,319	\$ 8,572	\$ -	\$ 5,763

Continued

HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2016

	<u>Debt Service Funds</u>	<u>Capital Project Fund</u>	
	<u>Total Debt Service Funds</u>	<u>Capital Improvement Program</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes	\$ -	\$ -	\$ 7,259,998
Licenses and Permits	-	-	-
Intergovernmental	-	-	3,091,781
Charges for Services	-	-	14,584,488
Fines and Forfeitures	-	-	1,466,725
Special Assessments	-	-	2,142,799
Interest	1,028	10,257	380,218
Miscellaneous	-	-	741,538
	<hr/>	<hr/>	<hr/>
Total Revenues	1,028	10,257	29,667,547
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
General Government	27	36,424	1,471,668
Public Safety	-	27,523	12,206,586
Physical Environment	-	-	829,879
Transportation	-	-	1,171,821
Economic Environment	-	-	2,562,444
Human Services	-	-	1,472,558
Culture and Recreation	-	-	106,211
Court Operations	-	-	5,360,809
Debt Service			
Principal	2,840,000	-	3,262,223
Interest and Fiscal Charges	769,505	-	836,679
Capital Outlay	-	429,812	1,384,628
	<hr/>	<hr/>	<hr/>
Total Expenditures	3,609,532	493,759	30,665,506
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(3,608,504)	(483,502)	(997,959)
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses)			
Transfers In	3,610,120	-	6,907,768
Transfers Out	(61,647)	-	(1,901,241)
Additions to Long-Term Debt	-	-	756,845
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	3,548,473	-	5,763,372
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	(60,031)	(483,502)	4,765,413
	<hr/>	<hr/>	<hr/>
Fund Balances at Beginning of Year	81,685	1,332,670	32,027,454
	<hr/>	<hr/>	<hr/>
Fund Balances at End of Year	\$ 21,654	\$ 849,168	\$ 36,792,867
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HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
IMPACT FEES CAPITAL PROJECT FUND
For the Fiscal 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>		<u>(Negative)</u>
Revenues				
Impact Fees	\$ 709,443	\$ 1,010,633	1,299,423	\$ 288,790
Interest	20,052	28,552	80,534	51,982
Total Revenues	<u>729,495</u>	<u>1,039,185</u>	<u>1,379,957</u>	<u>340,772</u>
Expenditures				
Current				
Public Safety	63,000	63,000	5,135	57,865
Capital Outlay	1,616,205	2,686,679	1,269,018	1,417,661
Total Expenditures	<u>1,679,205</u>	<u>2,749,679</u>	<u>1,274,153</u>	<u>1,475,526</u>
Excess of Revenues Over Expenditures	<u>(949,710)</u>	<u>(1,710,494)</u>	<u>105,804</u>	<u>1,816,298</u>
Other Financing Sources (Uses)				
Transfers Out	(486,515)	(486,515)	(486,512)	3
Reserve for Contingencies	(8,666,434)	(7,860,906)	-	7,860,906
Total Other Financing Sources (Uses)	<u>(9,152,949)</u>	<u>(8,347,421)</u>	<u>(486,512)</u>	<u>7,860,909</u>
Net Change in Fund Balance	<u>(10,102,659)</u>	<u>(10,057,915)</u>	<u>(380,708)</u>	<u>9,677,207</u>
Fund Balance at Beginning of Year	10,102,659	10,057,915	8,262,108	(1,795,807)
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,881,400</u>	<u>\$ 7,881,400</u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
STORMWATER MANAGEMENT
For the Fiscal 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	\$ 798,551	\$ 814,266	\$ 814,575	\$ 309
Intergovernmental	490,000	15,000	6,196	(8,804)
Interest	12,000	41,640	61,838	20,198
Miscellaneous	6,500	56,500	44,047	(12,453)
Total Revenues	<u>1,307,051</u>	<u>927,406</u>	<u>926,656</u>	<u>(750)</u>
Expenditures				
Current				
Physical Environment	1,026,289	748,579	457,187	291,392
Capital Outlay	1,075,000	1,574,113	103,921	1,470,192
Total Expenditures	<u>2,101,289</u>	<u>2,322,692</u>	<u>561,108</u>	<u>1,761,584</u>
Excess of Revenues Over (Under) Expenditures	<u>(794,238)</u>	<u>(1,395,286)</u>	<u>365,548</u>	<u>1,760,834</u>
Other Financing Sources (Uses)				
Transfers In	25,000	25,000	12,681	(12,319)
Reserve for Contingencies	(3,833,014)	(3,599,654)	-	3,599,654
Total Other Financing Sources (Uses)	<u>(3,808,014)</u>	<u>(3,574,654)</u>	<u>12,681</u>	<u>3,587,335</u>
Net Change in Fund Balance	<u>(4,602,252)</u>	<u>(4,969,940)</u>	<u>378,229</u>	<u>5,348,169</u>
Fund Balance at Beginning of Year	4,602,252	4,969,940	4,984,940	15,000
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,363,169</u>	<u>\$ 5,363,169</u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SENSITIVE LANDS
For the Fiscal 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	\$ 1,000	\$ 1,000	\$ 1,196	\$ 196
Interest	45,000	45,000	67,104	22,104
Miscellaneous	5,160	5,160	1,230	(3,930)
Total Revenues	<u>51,160</u>	<u>51,160</u>	<u>69,530</u>	<u>18,370</u>
Expenditures				
Current				
Physical Environment	528,150	529,782	364,946	164,836
Total Expenditures	<u>528,150</u>	<u>529,782</u>	<u>364,946</u>	<u>164,836</u>
Excess of Revenues Over (Under) Expenditures	<u>(476,990)</u>	<u>(478,622)</u>	<u>(295,416)</u>	<u>183,206</u>
Other Financing Sources (Uses)				
Transfers In	-	415	430	15
Reserve for Contingencies	(5,521,993)	(5,647,157)	-	5,647,157
Total Other Financing Sources (Uses)	<u>(5,521,993)</u>	<u>(5,646,742)</u>	<u>430</u>	<u>5,647,172</u>
Net Change in Fund Balance	(5,998,983)	(6,125,364)	(294,986)	5,830,378
Fund Balance at Beginning of Year	5,998,983	6,125,364	6,125,364	-
Fund Balance at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,830,378</u></u>	<u><u>\$ 5,830,378</u></u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
STATE HOUSING INITIATIVE PARTNERSHIP
For the Fiscal 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				
Intergovernmental	\$ 864,090	\$ 864,090	\$ 878,463	\$ 14,373
Interest	11,500	11,500	9,528	(1,972)
Miscellaneous	115,000	115,000	293,321	178,321
Total Revenues	<u>990,590</u>	<u>990,590</u>	<u>1,181,312</u>	<u>190,722</u>
Expenditures				
Current				
Economic Environment	1,494,603	1,494,603	1,274,443	220,160
Total Expenditures	<u>1,494,603</u>	<u>1,494,603</u>	<u>1,274,443</u>	<u>220,160</u>
Excess of Revenues Over (Under) Expenditures	<u>(504,013)</u>	<u>(504,013)</u>	<u>(93,131)</u>	<u>410,882</u>
Other Financing Sources (Uses)				
Reserve for Contingencies	-	(42,960)	-	42,960
Total Other Financing Sources (Uses)	<u>-</u>	<u>(42,960)</u>	<u>-</u>	<u>42,960</u>
Net Change in Fund Balance	(504,013)	(546,973)	(93,131)	453,842
Fund Balance at Beginning of Year	504,013	546,973	546,974	1
Fund Balance at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 453,843</u></u>	<u><u>\$ 453,843</u></u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COURT-RELATED FUNDS
For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 14,288	\$ 14,288	\$ -
Charges for Services	1,293,455	1,293,455	1,177,476	(115,979)
Interest	22,630	22,630	59,236	36,606
Miscellaneous	-	-	65	65
Total Revenues	1,316,085	1,330,373	1,251,065	(79,308)
Expenditures				
Current				
Court Operations	966,545	1,003,193	942,153	61,040
Capital Outlay	115,555	101,555	63,662	37,893
Total Expenditures	1,082,100	1,104,748	1,005,815	98,933
Excess of Revenues Over (Under) Expenditures	233,985	225,625	245,250	19,625
Other Financing Sources (Uses)				
Transfers In	162,734	169,260	162,734	(6,526)
Reserve for Contingencies	(5,479,503)	(5,394,776)	-	5,394,776
Total Other Financing Sources (Uses)	(5,316,769)	(5,225,516)	162,734	5,388,250
Net Change in Fund Balance	(5,082,784)	(4,999,891)	407,984	5,407,875
Fund Balance at Beginning of Year	5,082,784	4,999,891	4,970,754	(29,137)
Fund Balance at End of Year	\$ -	\$ -	\$ 5,378,738	\$ 5,378,738

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MUNICIPAL SERVICE BENEFIT UNITS
For the Fiscal 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				
Special Assessments	\$ 2,155,723	\$ 2,143,606	\$ 2,142,799	\$ (807)
Interest	10,585	18,168	32,400	14,232
Miscellaneous	12,070	46,655	51,182	4,527
Total Revenues	<u>2,178,378</u>	<u>2,208,429</u>	<u>2,226,381</u>	<u>17,952</u>
Expenditures				
Current				
Public Safety	231,140	231,140	230,515	625
Physical Environment	2,381	2,381	2,737	(356)
Transportation	1,273,660	1,287,058	1,155,472	131,586
Debt Service				
Principal	658,251	383,763	315,232	68,531
Interest and Fiscal Charges	131,210	59,086	56,736	2,350
Capital Outlay	261,000	2,365,708	526,169	1,839,539
Total Expenditures	<u>2,557,642</u>	<u>4,329,136</u>	<u>2,286,861</u>	<u>2,042,275</u>
Excess of Revenues Over (Under) Expenditures	<u>(379,264)</u>	<u>(2,120,707)</u>	<u>(60,480)</u>	<u>2,060,227</u>
Other Financing Sources (Uses)				
Transfers In	-	2,314,438	2,340,065	25,627
Transfers Out	(2,000,000)	(1,209,981)	(1,209,978)	3
Additions to Long-Term Debt	2,250,000	756,845	756,845	-
Reserve for Contingencies	(935,108)	(1,329,664)	-	1,329,664
Total Other Financing Sources (Uses)	<u>(685,108)</u>	<u>531,638</u>	<u>1,886,932</u>	<u>1,355,294</u>
Net Change in Fund Balance	<u>(1,064,372)</u>	<u>(1,589,069)</u>	<u>1,826,452</u>	<u>3,415,521</u>
Fund Balance at Beginning of Year	<u>1,064,372</u>	<u>1,589,069</u>	<u>1,177,188</u>	<u>(411,881)</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,003,640</u>	<u>\$ 3,003,640</u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HERNANDO COUNTY FIRE RESCUE - RESCUE
For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,723,166	\$ 4,723,166	\$ 4,807,423	\$ 84,257
Intergovernmental	18,235	78,235	19,260	(58,975)
Charges for Services	6,957,406	6,957,406	7,307,447	350,041
Interest	61,452	18,200	56,343	38,143
Miscellaneous	-	43,252	59,132	15,880
Total Revenues	11,760,259	11,820,259	12,249,605	429,346
Expenditures				
Current				
Public Safety	10,043,149	10,201,501	10,122,913	78,588
Debt Service				
Principal	-	106,991	106,991	-
Interest and Fiscal Charges	12,085	10,438	10,438	-
Capital Outlay	113,242	123,945	37,249	86,696
Total Expenditures	10,168,476	10,442,875	10,277,591	165,284
Excess of Revenues Over (Under) Expenditures	1,591,783	1,377,384	1,972,014	594,630
Other Financing Sources (Uses)				
Transfers In	99,378	138,574	189,042	50,468
Transfers Out	(436,500)	(440,500)	(440,500)	-
Reserve for Contingencies	(1,946,699)	(4,421,169)	-	4,421,169
Total Other Financing Sources (Uses)	(2,283,821)	(4,723,095)	(251,458)	4,471,637
Net Change in Fund Balance	(692,038)	(3,345,711)	1,720,556	5,066,267
Fund Balance at Beginning of Year	692,038	3,345,711	3,345,712	1
Fund Balance at End of Year	\$ -	\$ -	\$ 5,066,268	\$ 5,066,268

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MISCELLANEOUS SPECIAL REVENUE FUNDS
For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,574,951	\$ 1,575,651	\$ 1,636,804	\$ 61,153
Intergovernmental	1,117,876	1,126,848	717,358	(409,490)
Charges for Services	-	22,000	30,520	8,520
Fines and Forfeitures	159,000	159,000	194,506	35,506
Interest	21,375	27,089	56,622	29,533
Miscellaneous	76,300	226,957	183,669	(43,288)
Total Revenues	2,949,502	3,137,545	2,819,479	(318,066)
Expenditures				
Current				
General Government	1,030,924	1,033,624	613,453	420,171
Public Safety	263,062	263,062	160,869	102,193
Physical Environment	101,900	101,900	5,009	96,891
Transportation	22,496	29,530	16,349	13,181
Economic Environment	1,923,126	2,180,987	1,288,001	892,986
Human Services	1,582,868	1,687,676	1,472,558	215,118
Capital Outlay	96,200	286,536	155,234	131,302
Total Expenditures	5,036,576	5,860,102	3,817,684	2,042,418
Excess of Revenues Over (Under) Expenditures	(2,087,074)	(2,722,557)	(998,205)	1,724,352
Other Financing Sources (Uses)				
Transfers In	495,771	602,939	592,696	(10,243)
Transfers Out	(28,000)	-	-	-
Additions to Long-Term Debt	-	55,000	-	(55,000)
Reserve for Contingencies	(2,997,158)	(2,780,822)	-	2,780,822
Total Other Financing Sources (Uses)	(2,529,387)	(2,122,883)	592,696	2,715,579
Net Change in Fund Balance	(4,616,461)	(4,845,440)	(405,509)	4,439,931
Fund Balance at Beginning of Year	4,616,461	4,845,440	4,837,947	(7,493)
Fund Balance at End of Year	\$ -	\$ -	\$ 4,432,438	\$ 4,432,438

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CLERK OF COURT AND COMPTROLLER SPECIAL REVENUE FUNDS
For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 175,000	\$ 175,000	\$ 427,529	\$ 252,529
Charges for Services	3,190,500	3,190,500	3,382,746	192,246
Fines and Forfeitures	1,050,000	1,050,000	987,556	(62,444)
Interest	5,280	5,280	20,283	15,003
Total Revenues	4,420,780	4,420,780	4,818,114	397,334
Expenditures				
Current				
General Government	129,800	129,800	56,591	73,209
Court Operations	4,509,380	4,509,380	4,418,656	90,724
Capital Outlay	140,000	140,000	19,008	120,992
Total Expenditures	4,779,180	4,779,180	4,494,255	284,925
Excess of Revenues Over (Under) Expenditures	(358,400)	(358,400)	323,859	682,259
Other Financing Sources (Uses)				
Transfers Out	-	-	(135,217)	(135,217)
Reserve for Contingencies	(660,600)	(660,600)	-	660,600
Total Other Financing Sources (Uses)	(660,600)	(660,600)	(135,217)	525,383
Net Change in Fund Balance	(1,019,000)	(1,019,000)	188,642	1,207,642
Fund Balance at Beginning of Year	1,019,000	1,019,000	1,125,922	106,922
Fund Balance at End of Year	\$ -	\$ -	\$ 1,314,564	\$ 1,314,564

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
PROPERTY APPRAISER SPECIAL REVENUE FUNDS
For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 865,798	\$ 865,798	\$ 865,798	\$ -
Charges for Services	-	-	74,077	74,077
Interest	-	-	819	819
Total Revenues	865,798	865,798	940,694	74,896
Expenditures				
Current				
General Government	837,298	854,551	765,173	89,378
Capital Outlay	28,500	11,247	13,155	(1,908)
Total Expenditures	865,798	865,798	778,328	87,470
Excess of Revenues Over Expenditures	-	-	162,366	162,366
Other Financing Sources (Uses)				
Transfers Out	-	-	(53,899)	(53,899)
Total Other Financing Sources (Uses)	-	-	(53,899)	(53,899)
Net Change in Fund Balance	-	-	108,467	108,467
Fund Balance at Beginning of Year	-	-	824,508	824,508
Fund Balance at End of Year	\$ -	\$ -	\$ 932,975	\$ 932,975

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SHERIFF SPECIAL REVENUE FUNDS
For the Fiscal 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				
Intergovernmental	\$ 136,873	\$ 241,508	\$ 162,889	\$ (78,619)
Charges for Services	1,170,000	2,570,000	2,612,222	42,222
Fines and Forfeitures	253,000	253,000	284,663	31,663
Interest	400	400	4,760	4,360
Miscellaneous	93,287	111,190	108,892	(2,298)
	<u>1,653,560</u>	<u>3,176,098</u>	<u>3,173,426</u>	<u>(2,672)</u>
Total Revenues				
Expenditures				
Current				
Public Safety	1,932,700	2,076,238	1,664,766	411,472
Capital Outlay	659,935	659,935	36,418	623,517
	<u>2,592,635</u>	<u>2,736,173</u>	<u>1,701,184</u>	<u>1,034,989</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	<u>(939,075)</u>	<u>439,925</u>	<u>1,472,242</u>	<u>1,032,317</u>
Other Financing Sources (Uses)				
Reserve for Contingencies	(1,730,400)	(3,109,400)	-	3,109,400
	<u>(1,730,400)</u>	<u>(3,109,400)</u>	<u>-</u>	<u>3,109,400</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	<u>(2,669,475)</u>	<u>(2,669,475)</u>	<u>1,472,242</u>	<u>4,141,717</u>
Fund Balance at Beginning of Year	2,669,475	2,669,475	2,673,790	4,315
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,146,032</u>	<u>\$ 4,146,032</u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT AND REFUNDING REVENUE BONDS 2004
For the Fiscal 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				
Interest	\$ 24	\$ 24	\$ 89	\$ 65
Total Revenues	<u>24</u>	<u>24</u>	<u>89</u>	<u>65</u>
Expenditures				
Current				
General Government	16	7,461	6	7,455
Debt Service				
Principal	905,000	905,000	905,000	-
Interest and Fiscal Charges	49,110	49,110	49,310	(200)
Total Expenditures	<u>954,126</u>	<u>961,571</u>	<u>954,316</u>	<u>7,255</u>
Excess of Revenues Over (Under) Expenditures	<u>(954,102)</u>	<u>(961,547)</u>	<u>(954,227)</u>	<u>7,320</u>
Other Financing Sources (Uses)				
Transfers In	954,111	954,111	954,110	(1)
Total Other Financing Sources (Uses)	<u>954,111</u>	<u>954,111</u>	<u>954,110</u>	<u>(1)</u>
Net Change in Fund Balance	9	(7,436)	(117)	7,319
Fund Balance at Beginning of Year	(9)	7,436	7,436	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,319</u>	<u>\$ 7,319</u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-AD VALOREM REFUNDING REVENUE BONDS 2010
For the Fiscal 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				
Interest	\$ 24	\$ 24	\$ 104	\$ 80
Total Revenues	<u>24</u>	<u>24</u>	<u>104</u>	<u>80</u>
Expenditures				
Current				
General Government	16	8,683	7	8,676
Debt Service				
Principal	325,000	325,000	325,000	-
Interest and Fiscal Charges	116,710	116,710	116,894	(184)
Total Expenditures	<u>441,726</u>	<u>450,393</u>	<u>441,901</u>	<u>8,492</u>
Excess of Revenues Over (Under) Expenditures	<u>(441,702)</u>	<u>(450,369)</u>	<u>(441,797)</u>	<u>8,572</u>
Other Financing Sources (Uses)				
Transfers In	441,710	441,710	441,709	(1)
Total Other Financing Sources (Uses)	<u>441,710</u>	<u>441,710</u>	<u>441,709</u>	<u>(1)</u>
Net Change in Fund Balance	8	(8,659)	(88)	8,571
Fund Balance at Beginning of Year	(8)	8,659	8,660	1
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,572</u>	<u>\$ 8,572</u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GAS TAX REVENUE REFUNDING BONDS 2002
For the Fiscal 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				
Interest	\$ -	\$ -	\$ 684	\$ 684
Total Revenues	-	-	684	684
Expenditures				
Current				
General Government	-	-	5	(5)
Total Expenditures	-	-	5	(5)
Excess of Revenues Over (Under) Expenditures	-	-	679	679
Other Financing Sources (Uses)				
Transfers Out	-	-	(61,647)	(61,647)
Total Other Financing Sources (Uses)	-	-	(61,647)	(61,647)
Net Change in Fund Balance	-	-	(60,968)	(60,968)
Fund Balance at Beginning of Year	-	-	60,968	60,968
Fund Balance at End of Year	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-AD VALOREM REFUNDING REVENUE NOTE 2012
For the Fiscal 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				
Interest	\$ 12	\$ 12	\$ 151	\$ 139
Total Revenues	<u>12</u>	<u>12</u>	<u>151</u>	<u>139</u>
Expenditures				
Current				
General Government	21	4,636	9	4,627
Debt Service				
Principal	1,610,000	1,610,000	1,610,000	-
Interest and Fiscal Charges	<u>604,301</u>	<u>604,301</u>	<u>603,301</u>	<u>1,000</u>
Total Expenditures	<u>2,214,322</u>	<u>2,218,937</u>	<u>2,213,310</u>	<u>5,627</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,214,310)</u>	<u>(2,218,925)</u>	<u>(2,213,159)</u>	<u>5,766</u>
Other Financing Sources (Uses)				
Transfers In	<u>2,214,305</u>	<u>2,214,305</u>	<u>2,214,301</u>	<u>(4)</u>
Total Other Financing Sources (Uses)	<u>2,214,305</u>	<u>2,214,305</u>	<u>2,214,301</u>	<u>(4)</u>
Net Change in Fund Balance	(5)	(4,620)	1,142	5,762
Fund Balance at Beginning of Year	<u>5</u>	<u>4,620</u>	<u>4,621</u>	<u>1</u>
Fund Balance at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,763</u></u>	<u><u>\$ 5,763</u></u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT PROGRAM
For the Fiscal 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				
Interest	\$ 4,000	\$ 4,000	\$ 10,257	\$ 6,257
Miscellaneous	-	-	-	-
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>10,257</u>	<u>6,257</u>
Expenditures				
Current				
General Government	40	36,425	36,424	1
Public Safety	788,928	793,426	27,523	765,903
Capital Outlay	<u>57,339</u>	<u>471,810</u>	<u>429,812</u>	<u>41,998</u>
Total Expenditures	<u>846,307</u>	<u>1,301,661</u>	<u>493,759</u>	<u>807,902</u>
Excess of Revenues Over (Under) Expenditures	<u>(842,307)</u>	<u>(1,297,661)</u>	<u>(483,502)</u>	<u>814,159</u>
Other Financing Sources (Uses)				
Reserve for Contingencies	<u>(710,862)</u>	<u>(35,008)</u>	<u>-</u>	<u>35,008</u>
Total Other Financing Sources (Uses)	<u>(710,862)</u>	<u>(35,008)</u>	<u>-</u>	<u>35,008</u>
Net Change in Fund Balance	(1,553,169)	(1,332,669)	(483,502)	849,167
Fund Balance at Beginning of Year	<u>1,553,169</u>	<u>1,332,669</u>	<u>1,332,670</u>	<u>1</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 849,168</u>	<u>\$ 849,168</u>

See accompanying independent auditors' report.

Internal Service Funds

Central Fueling System

To account for the internal operation of the central fueling division of Hernando County.

Risk Management

To account for the internal operation of the general insurance programs used by the County.

Workers' Compensation

To account for the internal operations of the self-insured workers' compensation program.

Computer Replacement

To account for the management and replacement of County computers.

Vehicle Maintenance

To account for the internal operation of the privatized vehicle maintenance program.

Fleet Replacement

To account for the management and replacement of County vehicles.

County Health Insurance

To account for self-insured medical insurance provided to the employees by the County.

Sheriff Health Insurance

To account for self-insured medical insurance provided to the employees by the Sheriff.

HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2016

	<u>Central Fueling System</u>	<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Computer Replacement</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ -	\$ -	\$ 200,000	\$ -
Pooled Cash and Investments	403,983	1,481,307	5,909,786	582,288
Cash with Fiscal Agent	-	-	-	-
Accounts Receivable (net)	16,067	-	-	-
Due from Other Funds	-	2,286	-	-
Due from Other Governments	-	49	-	-
Inventories	38,189	-	-	-
Prepaid Expenses	-	-	-	-
Total Current Assets	<u>458,239</u>	<u>1,483,642</u>	<u>6,109,786</u>	<u>582,288</u>
Non-Current Assets				
Capital Assets, net of accumulated depreciation:				
Buildings	-	-	-	-
Equipment	-	830	-	262,645
Total Non-Current Assets	<u>-</u>	<u>830</u>	<u>-</u>	<u>262,645</u>
Total Assets	<u>\$ 458,239</u>	<u>\$ 1,484,472</u>	<u>\$ 6,109,786</u>	<u>\$ 844,933</u>
Deferred Outflows of Resources	<u>\$ 10,634</u>	<u>\$ 42,432</u>	<u>\$ 22,682</u>	<u>\$ -</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	47,308	2,606	50,048	-
Accrued Liabilities	644	1,292	1,662	-
Due to Other Funds	418	-	-	-
Compensated Absences	2,747	7,202	2,193	-
Unearned Revenues	-	-	-	-
Claims Liabilities	-	-	2,080,000	-
Total Current Liabilities	<u>51,117</u>	<u>11,100</u>	<u>2,133,903</u>	<u>-</u>
Non-Current Liabilities:				
Compensated Absences	272	712	217	-
Other Post-Employment Benefits	2,365	7,233	9,234	-
Net Pension Liability	25,134	77,569	64,370	-
Claims Liabilities	-	-	650,000	-
Total Non-Current Liabilities	<u>27,771</u>	<u>85,514</u>	<u>723,821</u>	<u>-</u>
Total Liabilities	<u>\$ 78,888</u>	<u>\$ 96,614</u>	<u>\$ 2,857,724</u>	<u>\$ -</u>
Deferred Inflows of Resources	<u>\$ 638</u>	<u>\$ -</u>	<u>\$ 253</u>	<u>\$ -</u>
NET POSITION				
Net Investment in Capital Assets	-	830	-	262,645
Unrestricted	389,347	1,429,460	3,274,491	582,288
Total Net Position	<u>\$ 389,347</u>	<u>\$ 1,430,290</u>	<u>\$ 3,274,491</u>	<u>\$ 844,933</u>

<u>Vehicle Maintenance</u>	<u>Fleet Replacement</u>	<u>County Health Insurance</u>	<u>Sheriff Health Insurance</u>	<u>Total</u>
\$ 720	\$ -	\$ -	\$ -	\$ 200,720
759,852	1,300,051	3,469,072	-	13,906,339
-	-	-	5,322,304	5,322,304
989	-	-	51,820	68,876
-	-	-	-	2,286
-	-	-	-	49
-	-	-	-	38,189
-	343,227	-	-	343,227
<u>761,561</u>	<u>1,643,278</u>	<u>3,469,072</u>	<u>5,374,124</u>	<u>19,881,990</u>
1,587,165	-	-	-	1,587,165
6,326	9,690,314	-	-	9,960,115
<u>1,593,491</u>	<u>9,690,314</u>	<u>-</u>	<u>-</u>	<u>11,547,280</u>
<u>\$ 2,355,052</u>	<u>\$ 11,333,592</u>	<u>\$ 3,469,072</u>	<u>\$ 5,374,124</u>	<u>\$ 31,429,270</u>
\$ 170,703	\$ 14,353	\$ -	\$ -	\$ 260,804
208,832	414,217	671,849	365,074	1,759,934
14,275	1,031	377,625	-	396,529
3,541	146	-	-	4,105
38,309	4,051	-	-	54,502
-	-	-	358,666	358,666
-	-	554,979	297,063	2,932,042
<u>264,957</u>	<u>419,445</u>	<u>1,604,453</u>	<u>1,020,803</u>	<u>5,505,778</u>
3,789	401	-	-	5,391
41,449	3,088	-	-	63,369
431,916	39,387	-	-	638,376
-	-	-	-	650,000
<u>477,154</u>	<u>42,876</u>	<u>-</u>	<u>-</u>	<u>1,357,136</u>
<u>\$ 742,111</u>	<u>\$ 462,321</u>	<u>\$ 1,604,453</u>	<u>\$ 1,020,803</u>	<u>\$ 6,862,914</u>
\$ 8,468	\$ 1,807	\$ -	\$ -	\$ 11,166
1,593,491	9,690,314	-	-	11,547,280
<u>181,685</u>	<u>1,193,503</u>	<u>1,864,619</u>	<u>4,353,321</u>	<u>13,268,714</u>
<u>\$ 1,775,176</u>	<u>\$ 10,883,817</u>	<u>\$ 1,864,619</u>	<u>\$ 4,353,321</u>	<u>\$ 24,815,994</u>

**HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2016**

	Central Fueling System	Risk Management	Workers' Compen- sation
Operating Revenues			
Charges for Services	\$ 888,377	\$ 3,949,319	\$ 1,324,863
Miscellaneous	10	64	88,913
Total Operating Revenues	<u>888,387</u>	<u>3,949,383</u>	<u>1,413,776</u>
Operating Expenses			
Personal Services	41,038	86,846	88,366
Other Services & Charges	838,223	3,826,564	253,886
Claims	-	-	610,062
Depreciation and Amortization	-	383	-
Total Operating Expenses	<u>879,261</u>	<u>3,913,793</u>	<u>952,314</u>
Operating Income (Loss)	<u>9,126</u>	<u>35,590</u>	<u>461,462</u>
Non-Operating Revenues (Expenses)			
Interest Income	1,987	26,763	64,049
Gain (Loss) on Sale of Capital Assets	-	-	-
Total Non-Operating Revenues (Expenses)	<u>1,987</u>	<u>26,763</u>	<u>64,049</u>
Income (Loss) Before Transfers	<u>11,113</u>	<u>62,353</u>	<u>525,511</u>
Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	11,113	62,353	525,511
Net Position-Beginning , As Restated	<u>378,234</u>	<u>1,367,937</u>	<u>2,748,980</u>
Net Position-Ending	<u>\$ 389,347</u>	<u>\$ 1,430,290</u>	<u>\$ 3,274,491</u>

See accompanying independent auditors' report.

<u>Computer Replacement</u>	<u>Vehicle Maintenance</u>	<u>Fleet Replacement</u>	<u>County Health Insurance</u>	<u>Sheriff Health Insurance</u>	<u>Total</u>
\$ 178,959	\$ 2,321,447	\$ 2,089,008	\$ 10,450,525	\$ 5,192,341	\$ 26,394,839
-	588	5,041	182,305	110,905	387,826
<u>178,959</u>	<u>2,322,035</u>	<u>2,094,049</u>	<u>10,632,830</u>	<u>5,303,246</u>	<u>26,782,665</u>
-	702,866	52,726	-	-	971,842
11,960	1,767,737	469,418	1,586,376	830,662	9,584,826
-	-	-	9,447,850	4,440,229	14,498,141
108,706	60,477	1,528,056	-	-	1,697,622
<u>120,666</u>	<u>2,531,080</u>	<u>2,050,200</u>	<u>11,034,226</u>	<u>5,270,891</u>	<u>26,752,431</u>
58,293	(209,045)	43,849	(401,396)	32,355	30,234
6,180	992	28,844	24,454	2,615	155,884
-	741	348,113	-	-	348,854
<u>6,180</u>	<u>1,733</u>	<u>376,957</u>	<u>24,454</u>	<u>2,615</u>	<u>504,738</u>
64,473	(207,312)	420,806	(376,942)	34,970	534,972
-	-	22,675	-	-	22,675
-	(111,247)	(2,428,494)	-	-	(2,539,741)
<u>-</u>	<u>(111,247)</u>	<u>(2,405,819)</u>	<u>-</u>	<u>-</u>	<u>(2,517,066)</u>
64,473	(318,559)	(1,985,013)	(376,942)	34,970	(1,982,094)
780,460	2,093,735	12,868,830	2,241,561	4,318,351	26,798,088
<u>\$ 844,933</u>	<u>\$ 1,775,176</u>	<u>\$ 10,883,817</u>	<u>\$ 1,864,619</u>	<u>\$ 4,353,321</u>	<u>\$ 24,815,994</u>

HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2016

	Central Fueling System	Risk Management	Workers' Compen- sation
Cash Flows from Operating Activities			
Receipts from Customers	\$ 854,054	\$ 3,923,963	\$ 1,324,863
Receipts from Inter-Fund Services	31,096	23,021	-
Payments to Suppliers	(859,942)	(3,828,548)	(288,992)
Payments to Employees	(39,805)	(80,032)	(83,907)
Claims Paid	-	-	(1,150,062)
Other Receipts (Payments)	10	64	88,913
Net Cash provided by (used in) Operating Activities	<u>(14,587)</u>	<u>38,468</u>	<u>(109,185)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	-	-
Net Cash Provided by (used for) Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Additions to Capital Assets	3,828	-	-
Proceeds From Sale of Capital Assets	-	-	-
Net Cash Provided by (used for) Capital and Related Financing Activities	<u>3,828</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest Received	1,987	26,763	64,049
Net Cash Provided by Investing Activities	<u>1,987</u>	<u>26,763</u>	<u>64,049</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,772)	65,231	(45,136)
Cash and Cash Equivalents at Beginning of Year	<u>412,755</u>	<u>1,416,076</u>	<u>6,154,922</u>
Cash and Cash Equivalents at End of Year	<u>\$ 403,983</u>	<u>\$ 1,481,307</u>	<u>\$ 6,109,786</u>

See accompanying independent auditors' report.

<u>Computer Replacement</u>	<u>Vehicle Maintenance</u>	<u>Fleet Maintenance</u>	<u>County Health Insurance</u>	<u>Sheriff Health Insurance</u>	<u>Total</u>
\$ 177,482	\$ 2,321,458	\$ 2,089,008	\$ 10,445,895	\$ 1,185,261	\$ 22,321,984
1,477	209	-	38,046	4,025,666	4,119,515
(11,960)	(1,772,470)	(1,346,639)	(2,083,664)	(830,662)	(11,022,877)
-	(676,492)	(49,236)	377,625	-	(551,847)
-	-	-	(9,406,594)	(4,767,370)	(15,324,026)
-	588	5,041	182,305	110,905	387,826
<u>166,999</u>	<u>(126,707)</u>	<u>698,174</u>	<u>(446,387)</u>	<u>(276,200)</u>	<u>(69,425)</u>
-	-	22,675	-	-	22,675
-	(111,247)	(2,428,494)	-	-	(2,539,741)
-	(111,247)	(2,405,819)	-	-	(2,517,066)
(58,202)	(4,242)	(3,422,063)	-	-	(3,480,679)
-	741	348,113	-	-	348,854
<u>(58,202)</u>	<u>(3,501)</u>	<u>(3,073,950)</u>	<u>-</u>	<u>-</u>	<u>(3,131,825)</u>
6,180	992	28,844	24,454	2,615	155,884
<u>6,180</u>	<u>992</u>	<u>28,844</u>	<u>24,454</u>	<u>2,615</u>	<u>155,884</u>
114,977	(240,463)	(4,752,751)	(421,933)	(273,585)	(5,562,432)
<u>467,311</u>	<u>1,001,035</u>	<u>6,052,802</u>	<u>3,891,005</u>	<u>5,595,889</u>	<u>24,991,795</u>
<u>\$ 582,288</u>	<u>\$ 760,572</u>	<u>\$ 1,300,051</u>	<u>\$ 3,469,072</u>	<u>\$ 5,322,304</u>	<u>\$ 19,429,363</u>

Continued

**HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2016**

	<u>Central Fueling System</u>	<u>Risk Management</u>	<u>Workers' Compen- sation</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 9,126	\$ 35,590	\$ 461,462
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided by (used in) Operating Activities			
Depreciation and Amortization	-	383	-
Other Post-Employment Benefits	249	507	546
Pension Adjustments	1,414	8,651	3,183
(Increase) Decrease in			
Accounts Receivable	(3,227)	-	-
Due from Other Funds	-	(2,286)	-
Due from Other Governments	-	(49)	-
Inventories	9,227	-	-
Prepaid Expenses	-	-	-
Increase (Decrease) in			
Accounts Payable	(31,364)	(1,984)	(35,106)
Accrued Liabilities	(430)	(2,344)	730
Due to Other Funds	418	-	-
Unearned Revenues	-	-	-
Claims Liabilities	-	-	(540,000)
Total Adjustments	<u>(23,713)</u>	<u>2,878</u>	<u>(570,647)</u>
Net Cash Provided by (used in) Operating Activities	<u>\$ (14,587)</u>	<u>\$ 38,468</u>	<u>\$ (109,185)</u>

<u>Computer Replacement</u>	<u>Vehicle Maintenance</u>	<u>Fleet Replacement</u>	<u>Medical Health Insurance</u>	<u>Sheriff Health Insurance</u>	<u>Total</u>
\$ 58,293	\$ (209,045)	\$ 43,849	\$ (401,396)	\$ 32,355	\$ 30,234
108,706	60,477	1,528,056	-	-	1,697,622
-	4,002	330	-	-	5,634
-	20,345	1,768	-	-	35,361
-	11	-	33,416	23,719	53,919
-	-	-	-	-	(2,286)
-	209	-	-	-	160
-	46,204	-	-	-	55,431
-	-	(343,227)	-	-	(343,227)
-	(54,478)	(534,140)	(497,288)	(327,899)	(1,482,259)
-	2,027	1,392	377,625	-	379,000
-	3,541	146	-	-	4,105
-	-	-	-	18,586	18,586
-	-	-	41,256	(22,961)	(521,705)
<u>108,706</u>	<u>82,338</u>	<u>654,325</u>	<u>(44,991)</u>	<u>(308,555)</u>	<u>(99,659)</u>
<u>\$ 166,999</u>	<u>\$ (126,707)</u>	<u>\$ 698,174</u>	<u>\$ (446,387)</u>	<u>\$ (276,200)</u>	<u>\$ (69,425)</u>



Fiduciary Funds

Board of County Commissioners Agency Fund

To account for assets held in trust by the Board of County Commissioners as trustee or agent, including employee insurance payments, industrial bond escrow funds and impact fees held for the School Board of Hernando County.

Clerk of Circuit Court Agency Fund

To account for assets held in trust by the Clerk of Circuit Court as trustee or agent, including fines and fees, court registry funds, child support and alimony payments, and juror and witness funds.

Tax Collector Agency Fund

To account for assets held in trust by the Tax Collector as trustee or agent, including tax and tag funds.

Sheriff Agency Fund

To account for assets held in trust by the Sheriff as trustee or agent, including service fees.

**HERNANDO COUNTY, FLORIDA
COMBINING BALANCE SHEET
AGENCY FUNDS
September 30, 2016**

	Board of County Commissioners	Clerk of the Circuit Court	Tax Collector
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ 2,212,834
Pooled Cash and Investments	2,702,183	3,554,076	310,911
Accounts Receivable (net)	-	300	-
Due from Other Governments	-	-	414
Total Assets	\$ 2,702,183	\$ 3,554,376	\$ 2,524,159
LIABILITIES			
Accounts Payable	\$ 98,448	\$ 14,317	\$ 12,050
Accrued Liabilities	2,565,483	2,033,339	-
Due to Other Funds	-	-	-
Due to Other Governments	18,465	645,948	299,298
Deposits	19,787	860,772	2,212,811
Total Liabilities	\$ 2,702,183	\$ 3,554,376	\$ 2,524,159

See accompanying independent auditors' report.

<u>Sheriff</u>	<u>Total</u>
\$ 103,838	\$ 2,316,672
-	6,567,170
-	300
-	414
\$ 103,838	\$ 8,884,556
\$ 103,838	\$ 8,884,556

\$ 40,212	\$ 165,027
-	4,598,822
32,334	32,334
10,566	974,277
20,726	3,114,096
\$ 103,838	\$ 8,884,556
\$ 103,838	\$ 8,884,556

HERNANDO COUNTY, FLORIDA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 BOARD OF COUNTY COMMISSIONERS' AGENCY FUNDS
 For the Fiscal Year Ended September 30, 2016

	<u>Balance 9/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2016</u>
ASSETS				
Pooled Cash and Investments	\$ 1,902,433	\$ 799,750	\$ -	\$ 2,702,183
Total Assets	<u>\$ 1,902,433</u>	<u>\$ 799,750</u>	<u>\$ -</u>	<u>\$ 2,702,183</u>
LIABILITIES				
Accounts Payable	\$ 93,391	\$ 5,057	\$ -	\$ 98,448
Accrued Liabilities	1,789,255	776,228	-	2,565,483
Due to Other Governments	-	18,465	-	18,465
Deposits	19,787	-	-	19,787
Total Liabilities	<u>\$ 1,902,433</u>	<u>\$ 799,750</u>	<u>\$ -</u>	<u>\$ 2,702,183</u>

See accompanying independent auditors' report.

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HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CLERK OF COURT & COMPTROLLER AGENCY FUNDS
For the Fiscal Year Ended September 30, 2016

	<u>Balance 9/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2016</u>
ASSETS				
Pooled Cash and Investments	\$ 3,201,827	\$ 352,249	\$ -	\$ 3,554,076
Accounts Receivable (net)	300	-	-	300
Total Assets	<u>\$ 3,202,127</u>	<u>\$ 352,249</u>	<u>\$ -</u>	<u>\$ 3,554,376</u>
LIABILITIES				
Accounts Payable	\$ 7,660	\$ 6,657	\$ -	\$ 14,317
Accrued Liabilities	1,590,968	442,371		2,033,339
Due to Other Governments	716,074	-	70,126	645,948
Deposits	887,425	-	26,653	860,772
Total Liabilities	<u>\$ 3,202,127</u>	<u>\$ 449,028</u>	<u>\$ 96,779</u>	<u>\$ 3,554,376</u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTOR AGENCY FUNDS
For the Fiscal Year Ended September 30, 2016

	<u>Balance 9/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2016</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,178,203	\$ 34,631	\$ -	\$ 2,212,834
Pooled Cash and Investments	382,010	-	71,099	310,911
Due from Other Governments	302	112	-	414
Total Assets	<u>\$ 2,560,515</u>	<u>\$ 34,743</u>	<u>\$ 71,099</u>	<u>\$ 2,524,159</u>
LIABILITIES				
Accounts Payable	\$ 5,099	\$ 6,951	\$ -	\$ 12,050
Due to Other Governments	377,237	-	77,939	299,298
Deposits	2,178,179	34,632	-	2,212,811
Total Liabilities	<u>\$ 2,560,515</u>	<u>\$ 41,583</u>	<u>\$ 77,939</u>	<u>\$ 2,524,159</u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SHERIFF AGENCY FUNDS
For the Fiscal Year Ended September 30, 2016

	<u>Balance 9/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2016</u>
ASSETS				
Cash and Cash Equivalents	\$ 87,388	\$ 16,450	\$ -	\$ 103,838
Total Assets	<u>\$ 87,388</u>	<u>\$ 16,450</u>	<u>\$ -</u>	<u>\$ 103,838</u>
LIABILITIES				
Accounts Payable	\$ 62,300	\$ -	\$ 22,088	\$ 40,212
Due to Other Funds	-	32,334	-	32,334
Due to Other Governments	9,045	1,521	-	10,566
Deposits	16,043	4,683	-	20,726
Total Liabilities	<u>\$ 87,388</u>	<u>\$ 38,538</u>	<u>\$ 22,088</u>	<u>\$ 103,838</u>

See accompanying independent auditors' report.

HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Fiscal Year Ended September 30, 2016

	Balance 9/30/2015	Additions	Deletions	Balance 9/30/2016
ASSETS				
Cash and Cash Equivalents	\$ 2,265,591	\$ 51,081	\$ -	\$ 2,316,672
Pooled Cash and Investments	5,486,270	1,151,999	71,099	6,567,170
Accounts Receivable (net)	300	-	-	300
Due from Other Governments	302	112	-	414
Total Assets	\$ 7,752,463	\$ 1,203,192	\$ 71,099	\$ 8,884,556
LIABILITIES				
Accounts Payable	\$ 168,450	\$ 18,665	\$ 22,088	\$ 165,027
Accrued Liabilities	3,380,223	1,218,599	-	4,598,822
Due to Other Funds	-	32,334	-	32,334
Due to Other Governments	1,102,356	19,986	148,065	974,277
Deposits	3,101,434	39,315	26,653	3,114,096
Total Liabilities	\$ 7,752,463	\$ 1,328,899	\$ 196,806	\$ 8,884,556

See accompanying independent auditors' report.

STATISTICAL SECTION

This part of Hernando County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	S-1 through S-9
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	S-10 through S-14
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future	S-15 through S-19
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	S-20 through S-23
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	S-24 through S-29

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Schedule 1

Hernando County, Florida
Net Position by Component

Last Ten Fiscal Years
(accrual basis of accounting)
(dollars expressed in thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental Activities					
Net Investment in Capital Assets	\$ 231,151	\$ 240,796	\$ 257,885	\$ 267,795	\$ 280,327
Restricted	3,799	69,441	80,026	76,929	86,754
Unrestricted (Deficit)	105,197	55,722	49,724	51,616	37,429
Total Governmental Activities Net Position	<u>\$ 340,147</u>	<u>\$ 365,959</u>	<u>\$ 387,635</u>	<u>\$ 396,340</u>	<u>\$ 404,510</u>
Business-type Activities					
Net Investment in Capital Assets	\$ 138,995	\$ 154,168	\$ 161,722	\$ 173,889	\$ 179,518
Restricted	21,771	14,632	37,246	9,964	6,956
Unrestricted	29,032	26,750	25,097	20,836	19,608
Total Business-type Activities Net Position	<u>\$ 189,798</u>	<u>\$ 195,550</u>	<u>\$ 224,065</u>	<u>\$ 204,689</u>	<u>\$ 206,082</u>
Primary Government					
Net Investment in Capital Assets	\$ 370,146	\$ 394,964	\$ 419,607	\$ 441,684	\$ 459,845
Restricted	25,570	84,073	117,272	86,893	93,710
Unrestricted	134,229	82,472	74,821	72,452	57,037
Total Primary Government Net Position	<u>\$ 529,945</u>	<u>\$ 561,509</u>	<u>\$ 611,700</u>	<u>\$ 601,029</u>	<u>\$ 610,592</u>

(1) GASB 68 was implemented in 2015, requiring a reduction in beginning net position of \$67,122,821 (governmental) and \$4,813,564 (business-type). Prior years have not been restated in this schedule.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>
\$ 285,954	\$ 290,020	\$ 292,320	\$ 303,506	\$ 306,373
88,847	82,667	72,678	61,254	62,476
30,767	24,747	32,333	(28,753)	(42,266)
<u>\$ 405,568</u>	<u>\$ 397,434</u>	<u>\$ 397,331</u>	<u>\$ 336,007</u>	<u>\$ 326,583</u>
\$ 170,908	\$ 171,017	\$ 168,614	\$ 171,560	\$ 174,660
10,743	10,312	10,442	9,597	12,753
25,030	28,386	33,505	37,215	42,892
<u>\$ 206,681</u>	<u>\$ 209,715</u>	<u>\$ 212,561</u>	<u>\$ 218,372</u>	<u>\$ 230,305</u>
\$ 456,862	\$ 461,037	\$ 460,934	\$ 475,066	\$ 481,033
99,590	92,979	83,120	70,851	75,229
55,797	53,133	65,838	8,462	626
<u>\$ 612,249</u>	<u>\$ 607,149</u>	<u>\$ 609,892</u>	<u>\$ 554,379</u>	<u>\$ 556,888</u>

Hernando County, Florida
Changes in Net Position

Last Ten Fiscal Years (a)
(accrual basis of accounting)
(dollars expressed in thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
Expenses					
Governmental Activities:					
General Government	\$ 25,058	\$ 24,579	\$ 23,141	\$ 20,142	\$ 18,750
Public Safety	70,596	75,116	63,261	61,896	59,674
Physical Environment	1,502	1,175	1,731	1,088	1,236
Transportation	19,539	18,872	18,864	22,998	25,265
Economic Environment	5,654	2,549	2,891	5,919	3,828
Human Services	6,933	6,832	6,622	6,159	7,280
Culture and Recreation	7,400	7,711	7,126	5,839	5,557
Court Operations	7,343	7,817	7,165	5,852	5,771
Interest on Long-term Debt	2,206	2,072	2,095	1,887	1,730
Total Governmental Activities Expenses	<u>146,231</u>	<u>146,723</u>	<u>132,896</u>	<u>131,780</u>	<u>129,091</u>
Business-type Activities:					
Water and Sewer District	24,245	25,469	25,669	25,797	25,648
Aviation Operations	1,330	1,523	1,664	1,717	2,588
Waste Management	8,361	7,197	9,748	368	6,072
Building Department	5,628	4,350	2,204	1,774	1,710
Zoning Department	-	-	991	609	446
Total Business-type Activities Expenses	<u>39,564</u>	<u>38,539</u>	<u>40,276</u>	<u>30,265</u>	<u>36,464</u>
Total Primary Government Expenses	<u>\$ 185,795</u>	<u>\$ 185,262</u>	<u>\$ 173,172</u>	<u>\$ 162,045</u>	<u>\$ 165,555</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 10,620	\$ 10,550	\$ 11,322	\$ 10,729	\$ 12,696
Public Safety	14,939	15,757	19,068	16,014	16,153
Physical Environment	238	258	615	172	100
Transportation	12,270	7,292	4,792	4,588	4,460
Economic Environment	325	2	12	24	57
Human Services	279	278	236	245	249
Culture and Recreation	1,302	596	657	655	724
Court Operations	6,875	6,478	5,145	4,196	4,336
Operating Grants and Contributions	7,658	5,709	4,938	7,027	7,818
Capital Grants and Contributions	8,617	7,695	18,733	11,995	15,538
Total Government Activities Program Revenues	<u>63,123</u>	<u>54,615</u>	<u>65,518</u>	<u>55,645</u>	<u>62,131</u>
Business-type Activities:					
Charges for Services:					
Water and Sewer District	24,875	22,790	22,164	21,941	22,988
Aviation Operations	1,423	1,585	1,726	1,704	1,587
Waste Management	7,468	7,019	7,067	6,867	6,965
Building Department	3,693	2,377	1,482	1,641	1,737
Zoning Department	-	-	503	302	319
Operating Grants and Contributions	100	48	36	38	584
Capital Grants and Contributions	7,683	5,282	3,554	1,315	2,300
Total Business-type Activities Program Revenues	<u>45,242</u>	<u>39,101</u>	<u>36,532</u>	<u>33,808</u>	<u>36,480</u>
Total Primary Government Program Revenues	<u>\$ 108,365</u>	<u>\$ 93,716</u>	<u>\$ 102,050</u>	<u>\$ 89,453</u>	<u>\$ 98,611</u>

(a) In fiscal year 2009, the Building Department and Zoning Department Business-Type Activities were split and reported separately. In fiscal year 2015, the Zoning Department was moved to the General Fund.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	17,511	\$ 20,629	\$ 21,044	\$ 22,134	\$ 24,583
	69,359	69,196	74,079	74,105	86,582
	1,114	1,316	988	1,195	1,230
	20,939	19,119	19,983	20,187	23,236
	2,691	2,377	1,689	2,355	3,095
	10,404	8,819	10,009	8,762	7,275
	5,004	5,326	5,173	5,146	5,714
	5,609	6,140	6,656	6,868	6,773
	1,654	1,224	1,144	1,062	1,038
	<u>134,285</u>	<u>134,146</u>	<u>140,765</u>	<u>141,814</u>	<u>159,526</u>
	25,976	25,147	25,505	25,882	27,673
	2,232	2,561	2,914	2,242	2,567
	6,040	6,902	6,918	3,348	6,447
	1,794	1,724	1,990	2,218	2,786
	378	350	359	-	-
	<u>36,420</u>	<u>36,684</u>	<u>37,686</u>	<u>33,690</u>	<u>39,473</u>
\$	<u>170,705</u>	<u>170,830</u>	<u>178,451</u>	<u>175,504</u>	<u>198,999</u>
\$	12,666	\$ 10,116	\$ 13,730	\$ 14,238	\$ 12,050
	19,961	18,180	27,931	29,063	31,168
	630	79	306	214	345
	4,194	4,327	3,165	4,856	5,398
	2	115	54	96	-
	238	231	245	229	250
	809	811	851	833	915
	4,399	4,978	5,120	5,059	4,832
	3,864	4,528	2,408	5,033	4,935
	3,652	4,323	1,887	3,006	1,777
	<u>50,415</u>	<u>47,688</u>	<u>55,697</u>	<u>62,627</u>	<u>61,670</u>
	24,491	25,275	26,568	28,569	31,032
	1,558	1,878	1,629	1,607	1,806
	7,085	7,331	7,420	7,668	7,653
	1,921	1,792	1,900	2,602	2,970
	274	247	320	-	-
	85	75	245	294	94
	<u>2,409</u>	<u>2,036</u>	<u>1,549</u>	<u>2,531</u>	<u>5,306</u>
	<u>37,823</u>	<u>38,634</u>	<u>39,631</u>	<u>43,271</u>	<u>48,861</u>
\$	<u>88,238</u>	<u>86,322</u>	<u>95,328</u>	<u>105,898</u>	<u>110,531</u>

Hernando County, Florida
Changes in Net Position (Continued)

Last Ten Fiscal Years
(accrual basis of accounting)
(dollars expressed in thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011
Net (Expense)/Revenue					
Governmental Activities	\$ (83,108)	\$ (92,108)	\$ (67,378)	\$ (76,135)	\$ (66,960)
Business-type Activities	5,678	562	(3,744)	3,543	15
Total Primary Government Net Expense	<u>\$ (77,430)</u>	<u>\$ (91,546)</u>	<u>\$ (71,122)</u>	<u>\$ (72,592)</u>	<u>\$ (66,945)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes	\$ 90,478	\$ 85,150	\$ 67,314	\$ 61,237	\$ 52,091
Fuel Taxes	7,192	6,952	6,573	6,696	7,112
Sales Taxes	8,228	7,631	7,098	7,154	7,817
Other Taxes	1,919	1,927	2,155	1,892	1,946
State Shared Revenue	4,159	3,967	3,592	3,611	3,758
Investment Earnings	8,129	8,371	5,599	2,449	1,297
Miscellaneous	2,240	282	1,113	1,532	941
Gain on Sale of Capital Assets	-	-	-	354	47
Extraordinary Item	(5,110)	3,695	-	-	-
Transfers	(1,009)	(56)	(3,663)	(85)	121
Total Governmental Activities	<u>116,226</u>	<u>117,919</u>	<u>89,781</u>	<u>84,840</u>	<u>75,130</u>
Business-type Activities:					
Investment Earnings	3,725	3,294	1,976	846	382
Gain on Sale of Capital Assets	93	6	12	4	1
Miscellaneous	1,622	1,834	1,510	1,242	1,116
Transfers	1,009	56	3,664	85	(121)
Total Business-type Activities	<u>6,449</u>	<u>5,190</u>	<u>7,162</u>	<u>2,177</u>	<u>1,378</u>
Total Primary Government	<u>\$ 122,675</u>	<u>\$ 123,109</u>	<u>\$ 96,943</u>	<u>\$ 87,017</u>	<u>\$ 76,508</u>
Change in Net Position					
Governmental Activities	\$ 33,118	\$ 25,811	\$ 22,403	\$ 8,705	\$ 8,170
Business-type Activities	12,127	5,752	3,418	5,720	1,393
Total Primary Government	<u>\$ 45,245</u>	<u>\$ 31,563</u>	<u>\$ 25,821</u>	<u>\$ 14,425</u>	<u>\$ 9,563</u>

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	(83,870)	\$ (85,068)	\$ (79,187)	\$ (104,569)	\$ (97,856)
	1,404	1,945	9,581	3,988	9,388
\$	<u>(82,466)</u>	<u>(83,123)</u>	<u>(69,606)</u>	<u>(100,581)</u>	<u>(88,468)</u>
\$	56,605	\$ 57,141	\$ 59,178	\$ 58,984	\$ 61,572
	6,216	6,058	6,089	6,242	8,146
	7,367	7,638	8,029	8,697	9,100
	1,768	1,804	1,667	2,530	2,560
	4,013	4,227	4,428	4,756	4,889
	2,209	73	1,475	1,671	1,437
	1,787	1,460	4,351	1,274	1,378
	-	-	28	221	349
	-	-	-	-	-
	(77)	(76)	(18)	610	(998)
	<u>79,888</u>	<u>78,325</u>	<u>85,227</u>	<u>84,985</u>	<u>88,433</u>
	664	31	605	743	701
	(1,091)	116	50	46	28
	(454)	860	900	864	818
	77	76	18	(610)	998
	(804)	1,083	1,573	1,043	2,545
\$	<u>79,084</u>	<u>79,408</u>	<u>86,800</u>	<u>86,028</u>	<u>90,978</u>
\$	(3,981)	\$ (6,743)	\$ 6,040	\$ (19,584)	\$ (9,423)
	600	3,028	11,154	5,031	11,933
\$	<u>(3,381)</u>	<u>(3,715)</u>	<u>17,194</u>	<u>(14,553)</u>	<u>2,510</u>



Schedule 3

Hernando County, Florida
Fund Balances of Governmental Funds

Last Ten Fiscal Years (a)
(modified accrual basis of accounting)
(dollars expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 522	\$ 670	\$ 687							
Unreserved	37,782	36,750	30,054							
Total General Fund	<u>\$ 38,304</u>	<u>\$ 37,420</u>	<u>\$ 30,741</u>							
All other Government Funds										
Reserved	\$ 6,333	\$ 1,946	\$ 10,982							
Unreserved, reported in:										
Special Revenue Funds	66,442	81,675	79,719							
Capital Projects Funds	5,349	9,144	13,630							
Total all other Governmental Funds	<u>\$ 78,124</u>	<u>\$ 92,765</u>	<u>\$ 104,331</u>							
General Fund										
Nonspendable	\$ 206	\$ 215	\$ 187	\$ 145	\$ 46	\$ 829	\$ 4,570			
Restricted	4,435	3,630	2,783	981	312	142	341			
Committed	4,776	4,854	4,968	4,436	4,812	5,374	5,320			
Assigned	1,725	2,300	8,500	3,350	5,712	4,000	3,000			
Unassigned	17,027	13,277	10,225	9,825	12,034	12,992	9,443			
Total General Fund	<u>\$ 28,169</u>	<u>\$ 24,276</u>	<u>\$ 26,663</u>	<u>\$ 18,737</u>	<u>\$ 22,916</u>	<u>\$ 23,337</u>	<u>\$ 22,674</u>			
All other Governmental Funds										
Nonspendable	\$ 58	\$ 56	\$ 674	\$ 574	\$ 78	\$ 65	\$ 57			
Restricted	80,134	81,256	83,527	79,282	69,625	59,257	59,914			
Committed	1,184	925	965	966	1,017	1,140	1,247			
Assigned	22,933	18,598	7,410	7,473	9,220	10,164	8,104			
Total all other Governmental Funds	<u>\$ 104,309</u>	<u>\$ 100,835</u>	<u>\$ 92,576</u>	<u>\$ 88,295</u>	<u>\$ 79,940</u>	<u>\$ 70,626</u>	<u>\$ 69,322</u>			

(a) GASB Statement No. 54 was implemented in fiscal year 2011. Fiscal year 2010 data was restated for presentation comparable to GASB Statement No. 54.

Schedule 4

Hernando County, Florida
Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue										
Taxes	\$ 99,588	\$ 94,029	\$ 76,043	\$ 69,826	\$ 60,486	\$ 64,669	\$ 65,009	\$ 66,892	\$ 67,733	\$ 72,115
Licenses and Permits	107	120	104	109	97	157	62	60	390	446
Intergovernmental	26,505	21,889	26,752	34,852	29,968	24,855	24,149	20,716	23,624	23,916
Charges for Services	21,354	22,911	19,741	15,015	14,476	18,020	18,276	21,034	28,395	26,403
Fines and Forfeitures	2,422	2,378	3,940	996	635	974	1,060	1,692	1,621	1,543
Special Assessments	9,397	11,225	11,248	11,269	11,302	11,388	11,348	19,155	19,140	20,404
Impact Fees	7,633	5,995	3,050	478	783	146	(6)	422	892	1,299
Interest	7,683	8,030	5,278	2,296	1,204	2,012	99	1,334	1,460	1,281
Miscellaneous	3,884	1,927	1,824	1,950	4,832	5,646	2,513	8,535	2,552	2,553
Total Revenues	<u>\$ 178,573</u>	<u>\$ 168,504</u>	<u>\$ 147,980</u>	<u>\$ 136,791</u>	<u>\$ 123,783</u>	<u>\$ 127,867</u>	<u>\$ 122,510</u>	<u>\$ 139,840</u>	<u>\$ 145,807</u>	<u>\$ 149,960</u>
Expenditures										
Current										
General Government	\$ 22,763	\$ 22,552	\$ 20,624	\$ 18,264	\$ 16,905	\$ 15,891	\$ 18,563	\$ 18,516	\$ 20,258	\$ 21,271
Public Safety	68,420	71,908	60,334	60,096	58,051	67,047	67,047	70,449	75,963	78,707
Physical Environment	1,492	1,097	1,643	1,004	1,148	1,057	1,140	966	1,131	1,094
Transportation	14,593	14,837	14,547	13,374	13,112	12,666	13,037	13,500	13,584	14,932
Economic Environment	5,620	2,516	2,838	5,881	3,799	2,646	2,350	1,639	2,298	3,031
Human Services	5,272	5,448	5,234	4,757	5,882	9,054	7,402	8,538	7,043	5,520
Culture and Recreation	6,746	6,774	6,326	5,004	4,749	4,228	4,500	4,316	4,615	4,758
Court Operations	7,297	7,732	7,084	5,756	5,602	5,461	6,034	6,525	6,708	6,585
Debt Service										
Principal	3,740	3,058	3,209	3,376	3,141	3,204	3,319	3,085	2,888	3,854
Interest and Fiscal Charges	2,177	2,047	2,040	2,037	1,691	1,627	963	1,078	990	978
Capital Outlay	21,112	18,626	16,240	20,042	17,602	15,095	14,227	15,663	19,297	13,475
Total Expenditures	<u>\$ 159,232</u>	<u>\$ 156,595</u>	<u>\$ 140,119</u>	<u>\$ 139,591</u>	<u>\$ 131,682</u>	<u>\$ 137,976</u>	<u>\$ 138,582</u>	<u>\$ 144,275</u>	<u>\$ 154,775</u>	<u>\$ 154,205</u>
Excess of Revenues										
Over (Under) Expenditures	19,341	11,909	7,861	(2,800)	(7,899)	(10,109)	(16,072)	(4,435)	(8,968)	(4,245)

Schedule 4

Hernando County, Florida
Changes in Fund Balances of Governmental Funds (Continued)

Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars expressed in thousands)

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Other Financing Sources (Uses)										
Transfers In	13,545	13,489	17,351	12,226	6,488	12,851	10,276	6,812	6,046	10,989
Transfers Out	(12,963)	(12,637)	(20,922)	(12,152)	(6,256)	(12,964)	(10,889)	(8,266)	(7,834)	(9,469)
Additions to Long-Term Debt	-	996	1,323	50	299	196	29,786	1,713	1,864	757
Proceeds of Refunding Bonds	-	-	-	5,700	-	-	-	-	-	-
Premium on Refunding Bonds	-	-	-	23	-	-	-	-	-	-
Discount on Refunding Bonds	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	(5,640)	-	-	(25,308)	-	-	-
Total Other Financing Sources (Uses)	<u>582</u>	<u>1,848</u>	<u>(2,248)</u>	<u>207</u>	<u>531</u>	<u>83</u>	<u>3,865</u>	<u>259</u>	<u>76</u>	<u>2,277</u>
Net Change in Fund Balances	<u>\$ 19,923</u>	<u>\$ 13,757</u>	<u>\$ 5,613</u>	<u>\$ (2,593)</u>	<u>\$ (7,368)</u>	<u>(10,026)</u>	<u>(12,207)</u>	<u>(4,176)</u>	<u>(8,892)</u>	<u>(1,968)</u>
 Debt Service as a Percentage of Noncapital Expenditures	 4.3%	 3.7%	 4.2%	 4.3%	 4.0%	 3.8%	 3.4%	 3.2%	 2.9%	 3.4%



Schedule 5

Hernando County, Florida
General Government State Shared Revenues by Source

Last Ten Fiscal Years
(dollars expressed in thousands)

Fiscal Year	Local Government Half-Cent Sales Tax	State Revenue Sharing Proceeds	Constitutional Fuel Tax	County Fuel Tax	Local Option 1 - 6 cents	State Housing Initiative Partnership
2007	8,228	3,758	1,783	777	4,916	1,721
2008	7,631	3,562	1,728	753	4,746	1,110
2009	7,098	3,228	1,696	735	4,450	1,604
2010	7,154	3,252	1,656	723	4,548	350
2011	7,232	3,398	1,660	725	4,457	350
2012	7,354	3,653	1,702	737	4,277	-
2013	7,608	3,838	1,657	731	4,136	428
2014	8,000	4,063	1,701	734	4,143	-
2015	8,647	4,392	1,724	756	4,257	864
2016	9,099	4,519	1,780	787	4,571	878

(a) Note that these revenue sources are a component of Intergovernmental Revenues on the financial statements. Other Components of Intergovernmental Revenues include federal, state, and local government grants.

Schedule 6

Hernando County, Florida
Fair Market, Assessed Value and Taxable Value of Property

Last Ten Fiscal Years
(dollars expressed in thousands)

Tax Roll Year	Fair Market (a)(i)		Assessed Value (b)(i)		Exemptions (c)(i)		Taxable Value (d)(i)			Total Direct Tax Rate (e)	
	Real Property (f)	Personal Property (g)	Real Property (f)	Personal Property (g)	Real Property (f)	Personal Property (g)	Real Property (f)	Personal Property (g)	Centrally Assessed (h) Total		
2007	16,518,236	1,105,701	13,238,586	1,085,763	2,695,549	244,027	10,543,037	841,735	13,699	11,398,471	7.7456
2008	15,836,287	1,185,886	13,371,281	1,167,054	3,920,192	325,882	9,451,089	841,172	6,398	10,298,659	7.6981
2009	13,471,361	1,403,422	11,638,948	1,111,661	3,752,551	339,154	8,229,029	1,044,563	6,924	9,280,516	7.6826
2010	11,572,263	1,669,623	10,731,692	1,652,662	3,593,658	336,472	7,138,035	1,316,191	6,499	8,460,724	7.7206
2011	10,600,374	1,629,933	9,915,576	1,585,617	3,466,896	325,372	6,448,681	1,260,244	7,199	7,716,124	7.7912
2012	9,949,202	1,691,643	9,269,516	1,645,987	3,332,500	339,564	5,937,016	1,306,423	7,325	7,250,764	8.2396
2013	9,989,311	1,602,911	9,341,160	1,594,242	3,349,573	627,890	5,991,587	966,351	7,626	6,965,564	8.4478
2014	10,349,863	1,606,000	9,531,618	1,604,589	3,350,771	608,798	6,180,847	995,791	7,842	7,184,480	8.4775
2015	10,800,268	1,585,644	9,795,639	1,584,744	3,403,429	600,482	6,392,210	984,263	7,869	7,384,342	8.5941
2016	11,208,262	1,703,765	10,044,161	1,703,015	3,473,220	596,852	6,570,941	1,106,163	8,326	7,685,431	8.5942

- (a) Florida law requires that 'Just Value' of all property be determined each year. The Florida Supreme Court has declared Just Value to be legally synonymous to Full Cash Value and Fair Market Value. The Just Value or Fair Market Value is the amount it could sell for in a competitive open market, assuming that the buyer and seller both acted knowledgeably and without duress.
- (b) Assessed value is different than just/market value for those properties that have assessment limitations on them. Examples of assessment limitations include Save our Homes (SOH) limitation for homestead properties, "greenbelt" for properties which have an agricultural use classification, and pollution control devices.
- (c) There are a number of property tax exemptions which include, but are not limited to; homestead, widow/widowers, blind, disabled, veterans, government and institutional.
- (d) Taxable value is the resulting value after all applicable exemptions have been deducted from the assessed value of the property. The taxable value is what the millage rates are applied to develop the ad valorem property tax.
- (e) Total Direct Tax Rate is the weighted average of the direct rates in each area. See Schedule 7, "Direct and Overlapping Property Tax Rates" for more information.
- (f) Real Property means land, buildings, fixtures, and all other improvements to land.
- (g) Personal Property commonly known as Tangible Personal Property (TPP) is defined as furniture, fixtures and equipment used in the operation of a business.
- (h) Centrally assessed property are the railroad tracks and train cars which cross county lines and are assessed by the Florida Department of Revenue who provide the assessed values to the respective Property Appraiser. No exemptions are applicable to Centrally Assessed Properties.
- (i) The year previous to current year may be restated due to changes made subsequent to release of previous year's values.

Data represents the tax roll for the year effective January 1 of the year reflected, billed in October of that year, and is collected to support the fiscal year beginning in that year.

Source: Hernando County Property Appraiser

Hernando County, Florida
Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
DIRECT RATES (a)										
Countywide										
Hernando County Government:										
General Fund	5.4394	5.4394	5.4394	5.4394	5.6279	5.9169	6.8669	6.9912	6.9912	6.9912
Special Revenue										
Transportation Trust Fund	0.7091	0.7091	0.7091	0.7091	0.7091	0.7091	0.7091	0.7091	0.7091	0.7091
Health Department	0.1102	0.1102	0.1102	0.1102	0.1102	0.1102	0.1102	0.1102	0.1102	0.1102
Sensitive Lands Fund (voted)	0.0844	0.0844	0.0844	0.0844	-	-	-	-	-	-
Total Countywide	<u>6.3431</u>	<u>6.3431</u>	<u>6.3431</u>	<u>6.3431</u>	<u>6.4472</u>	<u>6.7362</u>	<u>7.6862</u>	<u>7.8105</u>	<u>7.8105</u>	<u>7.8105</u>
Maximum Allowed (b)	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>
Other										
Hernando County Government:										
Municipal Services Taxing Units										
Stormwater Management Program	0.1139	0.1139	0.1139	0.1139	0.1139	0.1139	0.1139	0.1139	0.1139	0.1139
Emergency Medical Services	0.5839	0.5598	0.5598	0.5598	0.5598	0.5598	0.5534	0.5534	0.6700	0.6700
Mosquito Control	-	-	-	-	0.0844	0.0844	0.1000	-	-	-
Spring Hill Fire and Rescue (e)	2.2686	2.2686	2.2686	2.5000	2.5000	2.5000	-	-	-	-
Total	<u>2.9664</u>	<u>2.9423</u>	<u>2.9423</u>	<u>3.1737</u>	<u>3.2581</u>	<u>3.2581</u>	<u>0.7673</u>	<u>0.6673</u>	<u>0.7839</u>	<u>0.7839</u>
Maximum Allowed Per Taxpayer (b)	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.0000</u>
Total Direct Tax Rates (c)	<u>7.7456</u>	<u>7.6981</u>	<u>7.6826</u>	<u>7.7206</u>	<u>7.7912</u>	<u>8.2396</u>	<u>8.4478</u>	<u>8.4775</u>	<u>8.5941</u>	<u>8.5942</u>
OVERLAPPING RATES (d)										
Countywide										
School Board	8.0650	7.7790	7.4790	0.7417	7.5080	7.4540	7.2800	7.1670	7.1960	6.8690
Southwest Florida Water Management District	0.3866	0.3866	0.3866	0.3770	0.3928	0.3928	0.3818	0.3658	0.3488	0.3317
Not Countywide										
Municipalities										
City of Brooksville	6.3230	6.0690	6.0690	6.3700	6.3700	6.3700	6.7317	6.6962	6.6439	6.6426
City of Weeki Wachee	2.1744	2.1173	2.5769	2.6587	2.7838	2.7137	2.7654	2.6237	2.7622	2.8478
Southwest Florida Water Management District										
Withlacoochee Basin	0.2308	0.2308	0.2308	0.2380	-	-	-	-	-	-
Coastal Basin	0.1885	0.1885	0.1885	0.1885	-	-	-	-	-	-

- (a) Direct rates support the ad valorem revenue base for County Government operations.
- (b) Section 200.071, Florida Statutes, a county may not levy in excess of 10 mills, except for voted levies and for services or facilities provided through a municipal services taxing unit (MSTU).
- (c) Total Direct Tax Rate is the weighted average of the direct rates in each area.
- (d) Overlapping rates are those rates levied by other local governments who overlap Hernando County's geographic area. Not all rates apply to all Hernando County residents; for example each incorporated municipality within the County also taxes its respective residents
- (e) On June 11, 2009, a Special Act of the Legislature was passed changing the Spring Hill Fire And Rescue's status to independent of the County and subsequently was dissolved becoming dependent on the County on October 1, 2011.
- (f) Data represents the millages used to approve the budget, and calculate taxes to support the following year, but are based on the tax roll which began on January 1 for reflected year.

Source: Hernando County Property Appraiser

**Hernando County, Florida
Principal Property Taxpayers**

Latest Fiscal year compared to the Fiscal Year Ten Years Earlier
(dollars expressed in thousands)

Taxpayer	Type of Business	2016			2006		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cemex, Inc.	Cement Manufacturing	\$ 262,841	1	3.42%	\$ 49,820	6	0.50%
Withlacoochee River Electric Co-op	Electric Utility	189,253	2	2.46%	116,920	2	1.18%
Florida Power Development, LLC	Electric Utility	150,346	3	1.96%			
Wal-Mart Stores, Inc.	Retail Sales, Distribution	113,466	4	1.48%	123,139	1	1.24%
Duke Energy (formerly Progress Energy)	Electric Utility	80,531	5	1.05%	36,795	8	0.37%
Florida Gas Transmissions	Utility	46,678	6	0.61%			
HCA Health Services of Florida, Inc.	Hospital/Health Care	46,385	7	0.60%	63,552	4	0.64%
AT&T Telecommunications	Telecommunications	36,478	8	0.47%			
Bright House Networks	Cable Utility	32,057	9	0.42%	30,955	9	0.31%
BRE DDR	Retail Sales	25,615	10	0.33%			
Florida Crushed Stone Corporation	Rock Mining				64,572	3	0.65%
Bell South Telecommunications	Public Utility				59,331	5	0.60%
Hampton Ridge Development	Real Estate				39,834	7	0.40%
BDC Investors	Real Estate				27,031	10	0.27%
Totals		<u>\$ 983,650</u>		<u>12.80%</u>	<u>\$ 611,949</u>		<u>6.16%</u>

Source: Hernando County Property Appraiser

Schedule 9

**Hernando County, Florida
Property Tax Levies and Collections**

Last Ten Fiscal Years
(dollars expressed in thousands)

Fiscal Year Ended September 30	Certified Taxes Levied for the Fiscal Year (a) (d)	Certificates of Correction by Property Appraiser	Adjusted Taxes Levied for the Fiscal Year (a)	Collected Within the Fiscal year of the Levy (b)			Prior Year Taxes Collected (c)	Total Taxes Collected	
				Levied Collections	Discounts/Penalties	Adjusted Collections		Percentage Collected	Amount
2007	107,611			107,132			41	107,173	99.59
2008	104,359			103,128			326	103,454	99.13
2009	95,401			93,822			698	94,520	99.08
2010 (e)	87,787	(335)	87,452	86,578	(2,490)	84,088	772	84,860	97.04
2011	81,473	(1,728)	79,745	76,596	(2,276)	74,320	776	75,096	94.17
2012	77,291	(1,801)	75,490	73,689	(2,197)	71,492	677	72,169	95.60
2013	75,403	(2,870)	72,533	72,114	(2,197)	69,917	320	70,237	96.83
2014	83,274	(204)	83,070	82,776	(2,531)	80,245	404	80,649	97.09
2015	85,321	(419)	84,902	84,555	(2,629)	81,926	229	82,155	96.76
2016	88,933	(112)	88,821	88,485	(2,778)	85,707	403	86,110	96.95

- (a) Certified taxes levied is the original tax assessment due to Hernando County before any adjustments are determined by Property Appraiser and/or the Value Adjustment Board, and before any tax amounts are determined to be uncollectible due to insolvencies and/or litigation. Adjusted Taxes Levied reflects changes made throughout the fiscal year. The tax levy represents only the taxes due to the Hernando County financial reporting entity and therefore, excludes taxes due to the School Board, the City of Brooksville, Southwest Florida Water Management District and certain other governmental entities. This corresponds to the Direct Tax Rates section of Schedules 6 and 7.
- (b) In accordance with Florida Statutes, property taxes become due and payable on November 1 of each year and are delinquent on April 1 of the following year. A four percent discount is allowed if the taxes are paid in November, with the discount declining by one percent each month thereafter. Taxes collected will not equal 100% of the tax levy due to insolvencies, litigation and county certificates. In the table above, taxes collected November 1, 2014 through March 31, 2015 are reflected as levied for the Fiscal Year Ended September 30, 2015. Tax Certificates for unpaid taxes and assessments for that year will be sold no later than June 1, 2015.
- (c) Includes all delinquent tax collections received during the year regardless of the year in which the taxes were originally levied.
- (d) Includes non-ad valorem taxes, which are not a part of the tax notice. Non-ad valorem taxes are separately reported as Special Assessments in the Governmental Funds and are part of Charges for Services in the Proprietary Funds.
- (e) Effective fiscal year 2010, it has been deemed more informative to provide additional information.

Source: Hernando County Tax Collector



Hernando County, Florida
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(dollars expressed in thousands, except per capita)

Fiscal Year Ended September 30	Governmental Activities			Business-Type Activities			Total Primary Government	Debt as a Ratio to Personal Income (b)	Debt Per Capita
	Revenue and Refunding Bonds (a)	Notes Payable	Capital Leases	Water and Sewer Revenue Bonds (a)	Solid Waste Revenue Bonds (a)	Notes Payable			
2007	48,554	1,732	-	53,283	-	1,235	104,804	2.21%	643
2008	45,987	1,238	946	51,512	-	965	100,648	2.01%	606
2009	43,351	2,076	807	49,701	-	1,559	97,494	1.89%	590
2010	40,970	1,370	657	47,947	-	11,514	102,458	2.02%	619
2011	38,376	1,278	498	45,962	-	18,207	104,321	1.96%	603
2012	35,711	916	512	43,915	-	24,969	106,023	1.91%	613
2013	8,663	29,230	535	40,920	-	24,195	103,543	1.89%	596
2014 (c)	6,983	30,900	217	40,666	-	23,196	101,962	2.04%	583
2015	5,209	31,665	54	38,337	-	40,540	115,805	2.13%	655
2016	3,964	29,852	-	35,949	-	57,739	127,504	-	712

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

- (a) Bonds are shown net of related deferred gains or losses on bond refundings and net of related unamortized bond issue premiums or discounts.
- (b) Due to a time lag in receiving personal income figures, ratios were not reported for the most recent year(s).
See Schedule 14, "Demographic and Economic Statistics", for actual personal income and population figures used above. Source: U.S. Department of Commerce Bureau of Economic Analysis
- (c) Effective 2014, debt amounts exclude losses which have been reclassified to deferred outflows on the balance sheet in accordance with GASB 65.

Hernando County, Florida
Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(dollars expressed in thousands, except per capita amount)

<u>Fiscal Year Ended September 30</u>	<u>Revenue and Revenue Refunding Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Taxable Value of Property (a)</u>	<u>General Debt Per Capita (b)</u>
2007	48,554	652	47,902	0.42%	293
2008	45,987	688	45,299	0.44%	272
2009	43,351	753	42,598	0.45%	257
2010	40,970	723	40,247	0.48%	247
2011	38,376	650	37,726	0.49%	221
2012	35,711	671	35,040	0.48%	206
2013	8,663	667	7,996	0.11%	50
2014	6,983	658	6,325	0.09%	40
2015	5,209	82	5,127	0.07%	29
2016	3,964	22	3,942	0.05%	22

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

- (a) Bonds are shown net of related deferred gains or losses on bond refundings and net of related unamortized bond issue premiums or discounts.
- (b) Taxable Value information can be found on Schedule 6, Schedule of Fair Market, Assessed Value and Taxable Value of Property for property value data.
- (c) Population data can be found on Schedule 14, Schedule of Demographic and Economic Statistics.

Hernando County, Florida
Computation of Direct and Overlapping Debt

	<u>Payable from Ad Valorem Taxes</u>	<u>Non-Self- Supporting Revenue Debt</u>	<u>Total</u>	<u>Percentage of Debt to Total Debt</u>
COUNTY BOARD:				
Non-revolving line of credit draws	\$ -	\$ 7,269,217	\$ 7,269,217	4.27%
Non-Ad Valorem Refunding Revenue Note, Series 2012	-	22,583,000	22,583,000	13.28%
Capital Improvement and Refunding Revenue Bonds, Series 2004	-	935,000	935,000	0.55%
Non-Ad Valorem Refunding Revenue Bonds, Series 2010	-	<u>3,015,000</u>	<u>3,015,000</u>	1.77%
Subtotal Direct Debt \$	-	\$ <u>33,802,217</u>	\$ <u>33,802,217</u>	19.87%
SCHOOL BOARD: (1)				
State Board of Education Bonds, Series 2009A Refunding	-	95,000	95,000	0.06%
State Board of Education Bonds, Series 2010A	-	1,150,000	1,150,000	0.68%
State Board of Education Bonds, Series 2011A Refunding	-	285,000	285,000	0.17%
State Board of Education Bonds, Series 2014A Refunding	-	463,000	463,000	0.27%
State Board of Education Bonds, Series 2014B Refunding	-	927,000	927,000	0.55%
Bonds Payable-Unamortized Premium		297,089	297,089	0.17%
Certificates of Participation, Series 2013A	-	20,819,668	20,819,668	12.24%
Certificates of Participation, Series 2016A	-	90,645,000	90,645,000	53.29%
Unamortized Premium		11,553,598	11,553,598	6.79%
Capital Improvement bonds, Series 2001	-	2,235,000	2,235,000	1.31%
Notes Payable	-	4,860,255	4,860,255	2.86%
CITY OF BROOKSVILLE:				
General Fund Promissory Note	247,291	-	247,291	0.15%
USDA Loan	-	150,000	150,000	0.09%
Florida Capital Improvement Revenue Note, Series 2011	-	<u>2,552,689</u>	<u>2,552,689</u>	1.50%
Subtotal Overlapping Debt \$	<u>247,291</u>	\$ <u>136,033,299</u>	\$ <u>136,280,590</u>	80.13%
Total Direct and Overlapping Debt \$	<u>247,291</u>	\$ <u>169,835,516</u>	\$ <u>170,082,807</u>	100.00%

(1) Outstanding debt obligations for Hernando County School Board at June 30, 2016.

The percentage of the overlap is calculated as follows:

<u>Total Overlapping Debt</u>
<u>Total Direct and Overlapping Debt</u>

Schedule 13A

Hernando County, Florida
Schedule of Revenue Bond Coverage
Capital Improvement Revenue Bonds, Series 2004

Last Ten Fiscal Years
(dollars expressed in thousands)

Fiscal Year Ended September 30	Gross Revenues (a)	Expenditures (b)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	8,228	-	8,228	1,820	1,848	3,668	2.24
2008	7,631	-	7,631	1,870	1,795	3,665	2.08
2009	7,098	-	7,098	1,920	1,737	3,657	1.94
2010	7,154	-	7,154	1,500	1,388	2,888	2.48
2011	7,232	-	7,232	1,545	1,342	2,887	2.51
2012	7,354	-	7,354	1,595	1,292	2,887	2.55
2013	7,608	-	7,608	825	131	956	7.96
2014	8,000	-	8,000	850	106	956	8.37
2015	8,647	-	8,647	875	78	953	9.07
2016	9,099	-	9,099	905	48	953	9.55

- (a) Gross revenues reflect the pledged revenues for the bonds. Pledged revenues for these bonds consist of the distribution of the State "Half-Cent Sales Tax".
- (b) There are no expenditures that relate directly to the gross revenue, but gross revenues not used for the purpose of debt service are used for other purposes in the budget.
- (c) In 2013, a Non-Ad Valorem Refunding Revenue Note for \$24,430,000 was used to refinance Capital Improvement and Refunding Bonds, Series 2002 and a portion of Capital Improvement and Refunding Bonds, Series 2004.

Schedule 13B

Hernando County, Florida
Schedule of Non-Ad Valorem Debt Coverage
Non-Ad Valorem Refunding Revenue Bonds, Series 2010
Non-Ad Valorem Refunding Revenue Note, Series 2012

Last Four Fiscal Years
(dollars expressed in thousands)

Fiscal Year Ended September 30	Gross Revenues (a)	Expenditures (b)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	31,221	-	31,221	560	178	738	42.30
2012	31,807	-	31,807	570	164	734	43.33
2013	28,088	-	28,088	600	595	1,195	23.50
2014	34,209	-	34,209	310	761	1,071	31.94
2015	33,869	-	33,869	557	749	1,306	25.93
2016	34,711	-	34,711	1,935	720	2,655	13.07

- (a) Gross revenues reflect the pledged revenues for the bonds and notes. Pledged revenues consist of non-ad valorem revenues.
- (b) There are no expenditures that relate directly to the gross revenue, but gross revenues not used for the purpose of debt service are used for other purposes in the budget.

Hernando County, Florida
Schedule of Revenue Bond Coverage
Water and Sewer Revenue Bonds, Series 2013A

Last Ten Fiscal Years
(dollars expressed in thousands)

Fiscal Year Ended September 30	Gross Revenues(a)	Expenses (b)	Net Revenue Available for Debt Service	Connection Fees	Pledged Funds(c)	Debt Service Requirements			Coverage
						Principal	Interest	Total	
2007	27,342	15,715	11,627	2,427	14,054	1,725	2,353	4,078	3.45
2008	25,386	17,066	8,320	1,437	9,757	1,770	2,310	4,080	2.39
2009	23,531	17,490	6,041	1,579	7,620	1,815	2,262	4,077	1.87
2010	22,667	17,479	5,188	553	5,741	1,880	2,198	4,078	1.41
2011	23,496	17,110	6,386	552	6,938	1,990	2,044	4,034	1.72
2012	24,894	16,086	8,808	538	9,346	2,055	1,982	4,037	2.31
2013	25,623	15,026	10,597	794	11,391	2,125	1,916	4,041	2.82
2014	27,270	15,617	11,653	1,379	13,032	2,015	1,525	3,540	3.68
2015	29,089	16,062	13,027	1,384	14,411	2,150	1,652	3,802	3.79
2016	31,925	17,805	14,120	2,178	16,298	2,210	1,590	3,800	4.29

- (a) Pursuant to bond definitions, gross revenues include operating revenue and interest income, but do not include sewer connection fees, water connection fees or special assessment proceeds.
- (b) Pursuant to bond definitions, expenses do not include amortizations or depreciation. Similarly, charges associated with replacement of vehicles in lieu of depreciation have not been included.
- (c) Effective with the issuance of the Water and Sewer Refunding Revenue Bonds Series 2003, connection fees are included in the definition of pledged funds.
- (d) Includes Water and Sewer Refunding Revenue Bonds, Series 2013A, and the Water and Sewer portion of the Non-Ad Valorem Refunding Revenue Bonds, Series 2010.

Hernando County, Florida
Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (a)				Permanent Households (b)	Personal Income Per Capita (c)(f)	Total Personal Income (in thousands) (c)(f)	Median Age (c)	Citizens With a Bachelors Degree(b)	Public School Enrollment (d)	Unemployment Rate (e)
	City of Brooksville	City of Weeki Wachee	Unincorporated Hernando County	Total							
2007	7,309	8	154,876	162,876	68,789	28,064	4,737,480	45.3	9.9%	23,382	6.0%
2008	7,640	8	158,325	165,973	70,263	29,148	4,997,414	44.3	14.7%	22,492	9.2%
2009	7,633	7	157,408	165,154	70,022	29,950	5,147,746	44.8	15.1%	22,598	13.8%
2010	7,592	7	157,973	165,572	70,231	29,397	5,079,155	46.8	15.5%	22,316	14.8%
2011	7,711	12	165,355	173,078	71,864	30,729	5,318,514	47.7	16.2%	22,146	13.5%
2012	7,702	12	165,397	173,111	72,106	31,927	5,536,867	47.7	16.2%	21,855	10.4%
2013	7,643	5	166,160	173,808	72,238	31,422	5,481,211	48.0	15.5%	21,541	8.5%
2014	7,687	5	167,263	174,955	72,492	32,324	5,684,266	48.5	14.9%	21,470	8.1%
2015	7,780	5	169,034	176,819	72,951	33,666	6,007,249	48.0	15.5%	21,421	6.5%
2016	8,006	5	171,492	179,503	73,402	-	-	48.4	15.7%	21,613	6.2%

(a) Source: Bureau of Economic and Business Research (BEBR), University of Florida. These numbers have been adjusted to reflect BEBR data available through April 1 annually.

(b) Source: Hernando County Planning Department

(c) Source: Bureau of Economic and Business Research, University of Florida.

(d) Source: Hernando County School Board

(e) Source: Florida Department of Economic Opportunity, September annually (not seasonally adjusted)

(f) Due to a time lag in receiving personal income and population figures, ratios were calculated using income and population figures from the most recently available information.

Schedule 15

Hernando County, Florida
Principal Employers (a)
Non-retail, Non-government

Latest Fiscal Year compared to the Nine Prior Fiscal Years

Employer	Type of Operation	2016			2015			2014		
		Employees	%	Rank	Employees	%	Rank	Employees	%	Rank
Oak Hill Hospital	Healthcare	2,036	3.20	1	1,156	1.84	2	1,136	1.93	1
Bayfront Regional Healthcare	Healthcare	1,032	1.62	2	965	1.53	3	965	1.64	3
Walmart Distribution Center	Distribution Center	1,020	1.60	3	1,200	1.91	1	1,020	1.73	2
HealthSouth	Healthcare	355	0.56	4	288	0.46	4	288	0.49	4
Accuform Signs Inc	Manufacturer	280	0.44	5	290	0.46	5	274	0.47	5
Cemex (formerly Rinker Materials/FCS)	Manufacturer	250	0.39	6	240	0.38	6	240	0.41	6
HPH Hospice	Healthcare	221	0.35	7	119	0.19	8	181	0.31	8
Sparton Electronics	Manufacturer	219	0.34	8	200	0.32	7	215	0.37	7
Sun Trust Bank	Service	110	0.17	9	85	0.14	9	85	0.14	9
Withlacoochee River Electric Coop	Utility	80	0.13	10	79	0.13	10	80	0.14	10
Evergreen Woods	Healthcare	-	-	-	-	-	-	-	-	-
Alumi Guard	Manufacturer	-	-	-	-	-	-	-	-	-
Commercial Carrier Corp	Trucking	-	-	-	-	-	-	-	-	-
Cemex	Manufacturer	-	-	-	-	-	-	-	-	-
Totals		<u>5,603</u>	<u>8.79 %</u>		<u>4,622</u>	<u>7.35 %</u>		<u>4,484</u>	<u>7.62 %</u>	
Total Employment		<u>63,720</u>			<u>62,873</u>			<u>58,867</u>		

(a) Percentages shown represent the number of employees as a percent of Hernando County's total employment.

Schedule 15

Hernando County, Florida
Principal Employers (a)
Non-retail, Non-government

Latest Fiscal Year compared to the Nine Prior Fiscal Years

Employer	Type of Operation	2013			2012			2011		
		Employees	%	Rank	Employees	%	Rank	Employees	%	Rank
Oak Hill Hospital	Healthcare	1,089	1.71	1	1,070	1.70	1	950	1.51	2
Bayfront Regional Healthcare	Healthcare	913	1.44	3	1,018	1.62	2	1,032	1.64	1
Walmart Distribution Center	Distribution Center	1,020	1.60	2	1,008	1.60	3	900	1.43	3
HealthSouth	Healthcare	355	0.56	4	272	0.43	6	125	0.20	9
Accuform Signs Inc	Manufacturer	280	0.44	5	280	0.45	5	247	0.39	5
Cemex (formerly Rinker Materials/FCS)	Manufacturer	250	0.39	6	288	0.46	4	288	0.46	4
HPH Hospice	Healthcare	221	0.35	7	221	0.35	7	170	0.27	6
Sparton Electronics	Manufacturer	219	0.34	8	180	0.29	8	159	0.25	7
Sun Trust Bank	Service	110	0.17	9	105	0.17	10	105	0.17	10
Withlacoochee River Electric Coop	Utility	80	0.13	10	-	-	-	77	0.12	
Evergreen Woods	Healthcare	-	-		130	0.21	9	135	0.21	8
Alumi Guard	Manufacturer	-	-	-	-	-	-	-	-	-
Commercial Carrier Corp	Trucking	-	-	-	-	-	-	-	-	-
Cemex	Manufacturer	-	-	-	-	-	-	-	-	-
Totals		<u>4,537</u>	<u>7.14 %</u>		<u>4,572</u>	<u>7.27 %</u>		<u>4,188</u>	<u>6.66 %</u>	
Total Employment		<u>63,581</u>			<u>62,895</u>			<u>62,895</u>		

Hernando County, Florida
Principal Employers (a)
Non-retail, Non-government

Latest Fiscal Year compared to the Nine Prior Fiscal Years

Employer	Type of Operation	2010			2009			2008			2007		
		Employees	%	Rank	Employees	%	Rank	Employees	%	Rank	Employees	%	Rank
Oak Hill Hospital	Healthcare	947	1.49	2	900	1.43	1	900	1.40	2	896	1.43	2
Bayfront Regional Healthcare	Healthcare	1,032	1.62	3	763	1.22	3	763	1.19	3	763	1.22	3
Walmart Distribution Center	Distribution Center	1,200	1.89	1	900	1.43	1	1,044	1.62	1	1,500	2.40	1
HealthSouth	Healthcare	125	0.20	9	-	-	-	-	-	-	-	-	-
Accuform Signs Inc	Manufacturer	245	0.39	5	245	0.39	5	245	0.38	6	200	0.32	7
Cemex (formerly Rinker Materials/FCS)	Manufacturer	264	0.42	4	300	0.48	4	300	0.47	5	300	0.48	6
HPH Hospice	Healthcare	207	0.33		-	-	-	-	-	-	-	-	-
Sparton Electronics	Manufacturer	225	0.35	6	225	0.36	6	325	0.51	4	325	0.52	4
Sun Trust Bank	Service	135	0.21	8	113	0.18	8	113	0.18	8	308	0.50	5
Withlacoochee River Electric Coop	Utility	100	0.16	10	-	-	-	-	-	-	-	-	-
Evergreen Woods	Healthcare	160	0.25	7	140	0.22	7	140	0.22	7	160	0.26	8
Alumi Guard	Manufacturer	-	-	-	100	0.16	9	100	0.16	9	-	-	-
Commercial Carrier Corp	Trucking	-	-	-	100	0.16	9	100	0.16	9	145	0.23	9
Cemex	Manufacturer	-	-	-	-	-	-	-	-	-	126	0.20	10
Totals		<u>4,640</u>	<u>7.31</u> %		<u>3,786</u>	<u>6.03</u> %		<u>4,030</u>	<u>6.29</u> %		<u>4,723</u>	<u>7.36</u> %	
Total Employment		<u>63,511</u>			<u>62,747</u>			<u>64,355</u>			<u>62,510</u>		

Hernando County, Florida
County Government Employees by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2007	2008	2009 (b)	2010	2011
Governmental Activities:					
General Government	306	297	271	238	243
Public Safety	504	507	362	368	471
Physical Environment	10	10	7	7	5
Transportation	108	97	99	99	79
Economic Environment	10	8	8	8	7
Human Services	30	35	32	25	20
Culture and Recreation	112	95	93	72	62
Courts	93	84	74	77	78
Business-type Activities:					
Airport	5	5	5	5	5
Water and Wastewater	163	167	164	154	149
Business Development	67	43	34	31	29
Solid Waste	52	55	52	28	28
Total	1,460	1,403	1,201	1,112	1,176

(a) Source: Hernando County Department of Financial Services.

(b) Spring Hill Fire and Rescue District became an independent District in fiscal year 2009 and subsequently was dissolved becoming dependent on the County on October 1, 2011.

(c) Increase is due to addition of jail employees to the Hernando County Sheriff department.

<u>2012 (b)</u>	<u>2013 (c)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
227	221	227	225	237
566	750	773	776	782
7	6	7	7	8
91	91	92	93	92
7	7	7	8	10
21	21	21	20	19
65	65	66	63	63
79	84	88	85	78
5	5	5	4	4
147	142	139	134	132
28	26	28	27	27
<u>29</u>	<u>29</u>	<u>28</u>	<u>33</u>	<u>32</u>
1,272	1,447	1,481	1,475	1,484

Hernando County, Florida
Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year				
	2007	2008	2009	2010	2011
General Government					
Number of programs broadcast	342	310	299	207	212
Number of employee records managed	994	1,091	785	683	645
Public Safety					
Total incidents responded to (HCFR)	15,013	13,895	14,234	14,020	14,076
Number of emergency citizen volunteers	600	656	655	750	838
Number of building permits issued	16,140	11,210	9,194	10,074	11,316
Physical Environment					
Extension Classes/programs	30,756	40,993	30,480	27,015	20,055
Transportation					
Number of signals maintained	84	88	83	86	80
Number of lane miles of roads re-surfaced	80	129	61	199	70
Economic Environment					
Number of successful business projects	19	48	16	9	7
Number of veteran clients served	29,860	33,590	32,719	21,955	6,681
Human Services					
Animals impounded	6,557	6,659	5,773	5,117	4,256
Number of human service requests processed	18,797	19,723	25,513	27,043	13,256
Culture and Recreation					
Registered library card holders	72,562	84,579	86,204	93,685	85,284
Number of participants in the County Recreation programs	13,750	21,445	20,563	21,115	19,485
Court Operations					
Number of judicial cases managed	59,149	52,168	55,476	60,109	57,394
Water and Sewer					
Water consumption in millions of gallons a day	20.7	22.9	19.5	15.6	18.9
Average number of water accounts	61,253	57,667	57,378	60,966	61,260
Number of meter reads	742,571	719,043	688,536	749,652	752,244
Aviation Operations					
Number of airport & industrial park leases	146	146	145	178	173
Waste Management					
Total tons landfilled	118,356	119,599	105,697	77,770	99,346
Tons of Convenience Center Waste Collected	7,780	5,975	7,244	7,012	7,681
Tons of recyclables collected & processed	6,012	5,905	5,497	5,264	5,638

Source: Various County Departments.

2012	2013	2014	2015	2016
208	208	206	190	196
859	745	772	771	782
22,868	27,222	26,254	28,951	30,496
825	903	982	1,009	1,440
11,904	10,492	11,104	12,048	12,525
17,863	30,480	20,172	29,730	32,267
88	88	88	85	85
64	32	36	42	39
8	7	9	8	8
23,540	6,857	6,918	7,916	8,909
3,578	3,095	2,923	2,950	2,725
23,540	8,288	9,099	10,789	6,285
90,623	97,642	102,910	109,366	116,994
19,185	13,799	17,955	20,045	22,049
65,520	63,060	64,290	53,796	51,869
18.4	17.1	16.8	16.7	17.7
61,363	56,975	57,376	58,251	58,281
736,400	737,748	740,748	719,986	751,440
140	140	141	138	133
104,281	103,733	114,370	117,230	122,259
15,701	7,317	6,161	6,945	7,814
4,881	4,910	11,976	11,839	11,685

Hernando County, Florida
Capital Asset and Infrastructure Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2007	2008	2009	2010	2011
General Government					
Number of buildings	180	174	169	169	172
Fleet Vehicles	488	453	434	405	395
Public Safety					
Sheriff's patrol vehicles:	334	343	346	341	343
Radio Towers	3	3	5	5	5
Transportation					
Lane miles	2,305	2,332	2,345	2,364	2,371
Culture and Recreation					
Park acreage - developed	302	310	310	323	323
Park acreage - undeveloped	1,540	1,230	1,230	1,206	1,206
Trails-Jogging/Exercise/Nature	23	30	30	30	30
Playgrounds	14	14	14	14	14
Boat ramps (lanes)	16	16	16	16	16
Picnic shelters	185	189	189	189	189
Number of libraries/branches	6	6	6	6	6
Aviation Operations					
Number of runways	2	2	2	2	2
Runways in linear feet	12,000	12,000	12,000	12,000	12,000
Land (acres)	2,400	2,400	2,400	2,400	2,400
Waste Management					
Volume developed for landfill use (million cubic yards)	2,846,689	3,189,269	3,337,115	6,601,544	6,601,544
Remaining available landfill capacity (cubic yards)	590,998	692,408	298,940	3,547,487	3,346,936
Water					
Trans & dist lines (miles)	1,050	1,050	1,232	1,232	1,247
Maximum daily storage capacity (million gallons)	10.25	10.25	17.72	15.58	19.46
Number of meters in service	61,260	57,730	57,089	58,455	59,131
Sewer					
Number of pumping or lift stations	267	298	298	300	297
Collection & Trans lines (miles)	388	421	465	465	486
Reclaimed water trans & dist lines (miles)	0.38	0.38	2.90	2.00	4.30
Number of manholes	6,133	6,462	6,732	6,732	6,946

(a) Source: Various County Departments.

2012	2013	2014	2015	2016
151	156	160	165	169
370	403	423	403	378
336	336	324	325	336
5	5	5	5	4
2,380	2,393	2,407	2,457	2,492
323	323	340	340	340
1,206	1,206	1,206	1,206	1,206
30	30	30	30	30
14	14	14	14	14
16	16	16	16	16
189	189	190	190	190
6	6	5	5	4
2	2	2	2	2
12,000	12,000	12,000	12,000	12,000
2,400	2,400	2,400	2,400	2,400
6,601,544	6,601,544	6,601,544	6,601,544	6,601,544
3,255,100	2,941,953	2,704,818	2,452,353	2,435,065
1,232	1,232	1,232	1,232	1,232
20.90	20.90	19.08	19.08	19.78
61,290	56,805	57,376	58,251	58,281
298	298	301	301	301
486	486	501	501	513
4.30	4.30	4.30	4.30	4.30
6,945	6,945	6,952	7,106	7,165



COMPLIANCE SECTION

This section contains the following:

Single Audit Reports
and Grant Compliance

Bond Compliance Information



Single Audit Reports and Grant Compliance

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

Distinguished Members of the
Board of County Commission
Hernando 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 Hernando 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 March 24, 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.

Certified Public Accountants

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

Distinguished Members of the
Board of County Commission
Hernando 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 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.

Purvis, Gray and Company, LLP

March 24, 2017
Sarasota, Florida

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

Distinguished Members of the
Board of County Commission
Hernando County, Florida

Report on Compliance for Each Major Federal Program/State Project

We have audited Hernando 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 auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms and conditions 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*. Those standards and 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.

Certified Public Accountants

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Distinguished Members of the
Board of County Commission
Hernando County, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL
(Concluded)**

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.

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 and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project, and to test and report on internal control over compliance in accordance with 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 Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Durvis, Gray and Company, LLP

March 24, 2017
Sarasota, Florida

HERNANDO COUNTY, FLORIDA
Schedule of Federal Awards and State Financial Assistance
Year Ended September 30, 2016

Federal/State/Pass Through Grantor Grant Program Name	CFDA / CSFA #	Grant ID	Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct			
Recovery Act Community Development Block Grant (NSP3)	14.228	B-11-UN-12-0021	\$ 59,152
Total			<u>\$ 59,152</u>
DEPARTMENT OF THE INTERIOR			
Direct			
FISH & WILDLIFE SERVICE			
Refuge Revenue Sharing	15.659	--	\$ 13,448
Total			<u>\$ 13,448</u>
DEPARTMENT OF JUSTICE			
Direct			
State Criminal Alien Assistance Program (SCAAP)	16.606	2014-AP-BX-0827	\$ 1,726
State Criminal Alien Assistance Program (SCAAP)	16.606	2015-AP-BX-0780	2,473
Subtotal CFDA 16.606			<u>\$ 4,199</u>
Equitable Sharing Program	16.922	FL0270000	\$ 39,047
Pass Through			
FLORIDA OFFICE OF ATTORNEY GENERAL			
Crime Victim Assistance (VOCA)	16.575	V040-15009	\$ 35,584
Pass Through			
FLORIDA DEPARTMENT OF CHILDREN & FAMILIES			
STOP Violence Against Women	16.588	17-8015-LE-ENH	\$ 26,159
STOP Violence Against Women	16.588	16-8015-LE-ENH	67,137
Subtotal CFDA 16.588			<u>\$ 93,296</u>
Pass Through			
FLORIDA DEPARTMENT OF LAW ENFORCEMENT			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-JAGC-HERN-2-H3-168	\$ 18,874
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-JAGC-HERN-2-H3-192	21,435
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0915	1,978
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0466	32,044
Subtotal CFDA 16.738			<u>\$ 74,331</u>
Total			<u>\$ 246,457</u>
DEPARTMENT OF TRANSPORTATION			
Direct			
Airport Improvement Program	20.106	3-12-0008-16-2013	\$ 7,514
Airport Improvement Program	20.106	3-12-0008-018-2015	1,233,591
Airport Improvement Program	20.106	3-12-0008-019-2016	35,357
Subtotal CFDA 20.106			<u>\$ 1,276,462</u>
Pass Through			
FLORIDA DEPARTMENT OF TRANSPORTATION			
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	ARL24; FPN 427996 1 58/68 01	\$ 21,031
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	ARL26; FPN 427996 5 58/68 01	2,742
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	ARR65; FPN 430586 1 58/68 01	41,039
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	ARR63; FPN 430582 1 58/68 01	432,916
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	ARR64; FPN 430584 1 58/68 01	197,020
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	ARR94; FPN 430583 1 38 01	3,319
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	G0318; FPN 433695 1 38 01	7,314
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	G0915; FPN 434499 1 38 01	14,612
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	G0996; FPN 430503 1 58/68 01	652
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	G0997; FPN 430504 1 58/68 01	461
Highway Planning & Construction- Federal Aid Highway Program (LAP)	20.205	G0D79; FPN 427996 3 38 01	1,046
Highway Planning & Construction- Federal Aid Highway Program (PL)	20.205	G0086; FPN 437264 1 18 01	179,495
Highway Planning & Construction- Federal Aid Highway Program (PL)	20.205	A9773; FPN 259209 1 14 16	313,016
Highway Planning & Construction- Federal Aid Highway Program (PL)	20.205	GOD09; FPN 439335 1 14 01	85,077
Subtotal CFDA 20.205			<u>\$ 1,299,740</u>

HERNANDO COUNTY, FLORIDA
Schedule of Federal Awards and State Financial Assistance
Year Ended September 30, 2016

Federal/State/Pass Through Grantor Grant Program Name	CFDA / CSFA #	Grant ID	Expenditures
Metropolitan Transportation Planning (Section 5305d)	20.505	ARA86; FPN 401983 1 14 14	\$ 4,877
Metropolitan Transportation Planning (Section 5305d)	20.505	ARL23; FPN 401983 1 14 15	22,950
Subtotal CFDA 20.505			<u>\$ 27,827</u>
Urbanized Area Formula Program (Section 5307)	20.507	FL-90-X794-00	\$ 17,466
Urbanized Area Formula Program (Section 5307)	20.507	FL-90-X865-00	1,229,363
Urbanized Area Formula Program (Section 5307)	20.507	X015	291,927
Urbanized Area Formula Program (Section 5307)	20.507	X016	44,142
Subtotal CFDA 20.507			<u>\$ 1,582,898</u>
Formula Grants for Rural Areas (Section 5311)	20.509	ART59; FPN 401982 1 84 15	\$ 112,200
Total DEPARTMENT OF TRANSPORTATION			<u>\$ 4,299,127</u>
ENVIRONMENTAL PROTECTION AGENCY			
Pass Through FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Cleanwater State Revolving Funds (CWSRF)	66.458	WW270100	\$ 58,743
Cleanwater State Revolving Funds (CWSRF)	66.458	WW270150	16,533,372
Subtotal CFDA 66.458			<u>\$ 16,592,115</u>
Total ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 16,592,115</u>
DEPARTMENT OF HEALTH & HUMAN SERVICES			
Pass Through FLORIDA DEPARTMENT OF REVENUE			
Child Support Enforcement	93.563	COC27	\$ 391,871
Child Support Enforcement	93.563	COC27	2,290
Subtotal CFDA 93.563			<u>\$ 394,161</u>
Pass Through FLORIDA DEPARTMENT OF STATE- DIVISION OF ELECTIONS			
HHS 2011 VOTE Program Grant	93.617	2015-2016-0004-HER	\$ 4,808
Total DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>\$ 398,969</u>
DEPARTMENT OF HOMELAND SECURITY			
Pass Through FLORIDA DIVISION OF EMERGENCY MANAGEMENT			
Hazard Mitigation Grant	97.039	14HM-6B-05-37-01-465	\$ 10,011
Emergency Management Performance Grant	97.042	16FG-5A-05-37-01-093	\$ 78,569
Emergency Management Performance Grant	97.042	16CI-S9-05-37-02-406	9,158
Emergency Management Performance Grant	97.042	16CC-S9-05-37-02-405	9,158
Emergency Management Performance Grant	97.042	17-FG-P9-05-37-01-100	663
Subtotal CFDA 97.042			<u>\$ 97,548</u>
Homeland Security Grant Program	97.067	15DS-P4-05-37-01-373	\$ 20,000
Total DEPARTMENT OF HOMELAND SECURITY			<u>\$ 127,559</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 21,736,827</u></u>

HERNANDO COUNTY, FLORIDA
Schedule of Federal Awards and State Financial Assistance
Year Ended September 30, 2016

Federal/State/Pass Through Grantor Grant Program Name	CFDA / CSFA #	Grant ID	Expenditures
FLORIDA EXECUTIVE OFFICE OF THE GOVERNOR			
Emergency Management Program (EMPA)	31.063	16-BG-83-05-37-01-026	\$ 99,821
Emergency Management Program (EMPA)	31.063	17-BG-83-05-37-01-033	15,262
Subtotal CSFA 31.063			<u>\$ 115,083</u>
Total		FLORIDA EXECUTIVE OFFICE OF THE GOVERNOR	<u>\$ 115,083</u>
FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY			
Visit Florida	40.006	5150	\$ 654
Total		FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY	<u>\$ 654</u>
FLORIDA HOUSING FINANCE CORPORATION			
State Housing Initiatives Program (SHIP)	40.901	SHIP FY14/15	\$ 316,358
State Housing Initiatives Program (SHIP)	40.901	SHIP FY15/16	958,085
			<u>\$ 1,274,443</u>
Total		FLORIDA HOUSING FINANCE CORPORATION	<u>\$ 1,274,443</u>
FLORIDA DEPARTMENT ARGICULTURE & CONSUMER SERVICES			
Mosquito Control	42.003	022242	\$ 30,292
Total		FLORIDA DEPARTMENT ARGICULTURE & CONSUMER SERVICES	<u>\$ 30,292</u>
FLORIDA DEPARTMENT OF STATE			
State Aid to Libraries	45.030	14-ST-19	\$ 59,878
State Aid to Libraries	45.030	15-ST-19	82,216
State Aid to Libraries	45.030	16-ST-19	76,693
Subtotal CSFA 45.030			<u>\$ 218,787</u>
Total		FLORIDA DEPARTMENT OF STATE	<u>\$ 218,787</u>
FLORIDA DEPARTMENT OF TRANSPORTATION			
Commission for Transportation Disadvantaged Planning Grant	55.002	GO271	\$ 14,203
Commission for Transportation Disadvantaged Planning Grant	55.002	GOC50	2,147
Subtotal CSFA 55.002			<u>\$ 16,350</u>
Aviation Development Grants	55.004	AQU75; FPN 42410419401	\$ 570,000
Aviation Development Grants	55.004	APF09; FPN 41577819401	617,782
Aviation Development Grants	55.004	AQV71; FPN 42410429401	891
Aviation Development Grants	55.004	AQ176; FPN 42069919411	50,573
Aviation Development Grants	55.004	ARD41; FPN 42592429401	3,910
Aviation Development Grants	55.004	ARD13; FPN 42592419401	16,167
Aviation Development Grants	55.004	G0003; FPN 43299219401	93,400
Aviation Development Grants	55.004	G0006; FPN 43755019401	169,832
Aviation Development Grants	55.004	G0382; FPN 43749919401	26,436
Subtotal CSFA 55.004			<u>\$ 1,548,991</u>
Public Transit Block Program	55.010	AR951; FPN 40810418414	\$ 83,209
Public Transit Block Program	55.010	ART63; FPN 40810418415	125,117
Subtotal CSFA 55.010			<u>\$ 208,326</u>
Public Transit Service Development Program	55.012	G0692; FPN 40198238416	\$ 112,604
Transit Corridor Program	55.013	ARA86; FPN 401983-1-14-14	\$ 610
Transit Corridor Program	55.013	ARL23; FPN 401983-1-14-15	2,869
Subtotal CSFA 55.013			<u>\$ 3,479</u>

HERNANDO COUNTY, FLORIDA
Schedule of Federal Awards and State Financial Assistance
Year Ended September 30, 2016

Federal/State/Pass Through Grantor Grant Program Name	CFDA / CSFA #	Grant ID	Expenditures
NPDES/TMDL Stormwater Retrofit Project	55.024	AQX46; FPN 421748 1 72 06	\$ 6,196
Total			<u>\$ 1,895,946</u>
FLORIDA DEPARTMENT OF HEALTH			
County Grant Awards (EMS)	64.005	C4027	\$ 35,693
Total			<u>\$ 35,693</u>
FLORIDA FISH & WILDLIFE CONSERVATION COMMISSION			
Artificial Reef Grants Program	77.007	FWC-14017	\$ 87
Total			<u>\$ 87</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 3,570,985</u></u>

HERNANDO COUNTY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL 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 Hernando 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.

The County reporting entity is defined in Note A 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 Accounting

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 A to the County's financial statements.

Note 3 - Loans Outstanding

The County has the following loan balances outstanding at September 30, 2016:

<u>Program</u>	<u>CSFA Number</u>	<u>Loan Outstanding</u>
State Housing Initiatives Partnership	40.901	\$ 13,445,863

Only current year loans issued to eligible recipients are included as expenditures on the accompanying schedule.

Note 4 - 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 the 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 position of the County.

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

Note 5 - Other Matters

Program income generated by and expended on a Federal or State award during the period of performance is only included on the *Schedule of Expenditures of Federal Awards and State Financial Assistance* if the program income is added to the award amount or if specifically directed by the awarding agency and/or required by program guidance. Program income that is expended by reducing the total program expenditures (deduction method) is not included on this schedule.

- In accordance with the direction from the grantor, program income totaling \$26,756 was expended on the Community Development Block Grant (CFDA 14.228) during 2016, and is included in the total expended amount recorded on the *Schedule of Expenditures of Federal Awards and State Financial Assistance*.
- In accordance with the direction from the grantor, program income totaling \$4,586 was expended on the Justice Assistance Grant (CFDA 16.738) during 2016, and is included in the total expended amount recorded on the *Schedule of Expenditures of Federal Awards and State Financial Assistance*.
- In accordance with the terms of the grant, program income generated during 2016 totaled \$174,230, and was used to reduce the program expenditures for the Urbanized Area Formula Program (CFDA 20.507), Formula Grants for Rural Areas (CFDA 20.509), Public Transit Block Program (CSFA 55.010), and Public Transit Service Development Program (CSFA 55.012). These associated expenditures are not reported on the *Schedule of Expenditures of Federal Awards and State Financial Assistance*.
- In accordance with the terms of the grant, program income received in the State Housing Initiative Partnership (SHIP) program (CSFA 40.901) during 2016, is added to the original award amount in the corresponding year the program income was earned. Expense of this program income may not occur until subsequent fiscal years.

Under the pre-award authorization for the Urbanized Area Formula Program (CFDA 20.507)—Section 5307, expenditures were incurred during the fiscal year, but not expected to be reimbursed until a later fiscal year when the award is granted, are included on the *Schedule of Expenditures of Federal Awards and State Financial Assistance*. The granting agency, Federal Transit Administration (FTA), has not assigned a final unique grant/project number, so “X015” (\$291,927) and “X016” (\$44,142) are currently being used.

Hernando County Board of County Commissioners did not elect to use the 10% de minimis cost rate in 2016 as covered in 2 CFR 200.414.

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

PART A - SUMMARY OF AUDITORS' 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 Hernando 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. No instances of noncompliance material to the financial statements of the County were disclosed during the audit (see the same report referenced in 2).
4. No material weaknesses or significant deficiencies in internal control over major federal awards programs or major state financial assistance projects were disclosed (see Independent Auditors' Report on Compliance for each Major Federal Program and State Project and on Internal Control Over Compliance Required by Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*).
5. An unqualified 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 Transportation:
 - Airport Improvement Program, CFDA No. 20.106
 - U.S. Department of Transportation, Passed Through Florida Department of Transportation:
 - Federal-Aid Highway Program, CFDA No. 20.205
 - Environmental Protection Agency, Passed Through Florida Department of Environmental Protection:
 - Clean Water State Revolving Fund, CFDA No. 66.458
 - U. S. Department of Health and Human Services, Passed Through Florida Department of Revenue:
 - Child Support Enforcement, CFDA No. 93.563

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

PART A - SUMMARY OF AUDITORS' RESULTS *(Concluded)*

7. *(Concluded)*

■ **Major State Projects**

Florida Department of Transportation:

- Aviation Development Grants, CSFA No. 55.004
- Public Transit Block Grant Program, CSFA No. 55.010
- Public Transit Service Development Program, CSFA No. 55.012

8. The threshold for distinguishing Type A and Type B programs/projects was \$750,000 for major federal award programs and \$750,000 for major state financial assistance projects.

9. The County did qualify as a low-risk auditee per criteria set forth in Section .520 of the Uniform Guidance.

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 prior audit findings related to federal programs or state projects.

No corrective action plan is required because there were no current year findings required to be reported under the *Federal* or *Florida Single Audit Acts*.

MANAGEMENT LETTER

Distinguished Members of the
Board of County Commission
Hernando County, Florida

Report on the Financial Statements

We have audited the financial statements of Hernando County, Florida (the County) as of and for the year ended September 30, 2016, and have issued our report thereon dated March 24, 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 on 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 on Internal Control over Compliance required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*; Schedule of Findings and Questioned Costs; and our Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes. Disclosures in those reports and schedule, which are all dated March 24, 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.

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

Distinguished Members of the
Board of County Commission
Hernando County, Florida

MANAGEMENT LETTER
(Continued)

Financial Condition

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor 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 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the County for the fiscal year ended September 30, 2016, 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.

Special District Component Units

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

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, 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 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, Federal and other granting agencies, the Distinguished Members of the Hernando County, Florida, Board of County Commission, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Distinguished Members of the
Board of County Commission
Hernando County, Florida

MANAGEMENT LETTER
(Concluded)

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

Purvis, Gray and Company, LLP

March 24, 2017
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Distinguished Members of the
Board of County Commission
Hernando County, Florida

We have examined Hernando County, Florida (the County)'s compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2016, as required by Section 10.556(10)(a), *Rules of the Auditor General* with regards to the County's investments during the 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 year ended September 30, 2016.

This report 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 Distinguished Members of the Board of County Commission, 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

March 24, 2017
Sarasota, Florida

Certified Public Accountants

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

Distinguished Members of the
Board of County Commission
Hernando County, Florida

We have examined Hernando County, Florida (the County)'s compliance with the requirements of Section 365.172(10), Florida Statutes, as of and for the year ended September 30, 2016, as required by Section 10.556(10)(b), *Rules of the Auditor General* with regards to the use of the County's E911 funds. 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 year ended September 30, 2016.

This report 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 Distinguished Members of the Board of County Commission, 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

March 24, 2017
Sarasota, Florida

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Bond Compliance

**HERNANDO COUNTY, FLORIDA
SUPPLEMENTAL INFORMATION
September 30, 2016
(UNAUDITED)**

BOND COMPLIANCE INFORMATION

CAPITAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2004

HISTORICAL COLLECTIONS OF STATE SALES TAX
LAST TEN FISCAL YEARS

The following table sets forth data regarding the collection of overall State Sales Tax and the annual percentage increases for the State of Florida and for Hernando County, Florida.

State Fiscal Year Ended June 30	State of Florida	% Change	Hernando County	% Change
2007	21,750,646,000	(0.29)	102,017,532	(0.35)
2008	20,569,094,349	(5.43)	94,967,233	(6.91)
2009	17,368,889,418	(15.60)	79,335,172	(16.50)
2010	16,768,646,720	(3.46)	79,707,979	0.47
2011	17,575,218,111	4.81	81,297,441	1.99
2012	18,487,539,555	5.10	82,488,028	1.46
2013	19,657,996,927	6.33	85,819,584	4.04
2014	21,097,421,292	7.32	90,149,675	5.05
2015	22,833,522,335	8.23	98,203,183	8.93
2016	24,089,395,925	5.50	104,492,643	6.40

Source: Department of Revenue

PERCENTAGE DISTRIBUTION OF HALF-CENT SALES TAX REVENUE
FOR HERNANDO COUNTY AND THE CITY OF BROOKSVILLE (1)

The following table sets forth the respective percentage distribution of the State of Florida Half-Cent Sales Tax Revenues to Hernando County, Florida and to the City of Brooksville, Florida for the last ten State fiscal years.

State Fiscal Year Ended June 30	Hernando County	City of Brooksville
2007	95.26	4.74
2008	95.42	4.58
2009	95.57	4.43
2010	95.52	4.48
2011	95.50	4.50
2012	95.70	4.30
2013	95.70	4.30
2014	95.70	4.30
2015	95.70	4.30
2016	95.70	4.30

- (1) The City of Weeki Wachee receives an immaterial percentage of the State of Florida Half-Cent Sales Tax Revenues for Hernando County. The percentage is so small that it is not included in this table.
(2) Percentages are estimated based on data provided by the Florida Department of Revenue.

**HERNANDO COUNTY, FLORIDA
SUPPLEMENTAL INFORMATION
September 30, 2016
(UNAUDITED)**

**RECEIPT OF HALF-CENT SALES TAX REVENUES
BY HERNANDO COUNTY, FLORIDA**

The historical State of Florida Half-Cent Sales Tax Revenues received by Hernando County, Florida during the last ten fiscal years are set forth in the table below.

<u>Fiscal Year</u>	<u>Sales Tax Revenues</u>	<u>% Change</u>
2007	8,228,307	(4.22)
2008	7,631,497	(7.25)
2009	7,098,139	(6.99)
2010	7,153,868	0.79
2011	7,231,814	1.09
2012	7,354,197	1.69
2013	7,607,684	3.45
2014	8,000,302	4.91
2015	8,646,879	8.08
2016	9,098,938	5.23

WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2013A

HISTORIC GROWTH OF WATER AND WASTEWATER SYSTEM CUSTOMERS

The following table sets forth data regarding the Historic Growth of Water and Wastewater System Customers for the last ten fiscal years for Hernando County, Florida:

<u>Fiscal Year</u>	<u>Number of Active Accounts (1)</u>	
	<u>Water</u>	<u>Sewer</u>
2007	60,509	28,114
2008	57,667	27,366
2009	57,089	27,014
2010	56,962	26,909
2011	56,597	26,757
2012	56,777	26,811
2013	56,975	26,897
2014	57,376	27,127
2015	58,251	27,688
2016	58,281	27,688

(1) Figures represent number of active accounts at the close of each Fiscal Year ended September 30.

Source: Hernando County Utilities Department

**HERNANDO COUNTY, FLORIDA
SUPPLEMENTAL INFORMATION
September 30, 2016
(UNAUDITED)**

HISTORIC WATER CONSUMPTION FLOWS

The following table sets forth data regarding the Historic Water Consumption Flows for the last ten fiscal years for Hernando County, Florida:

<u>Fiscal Year</u>	<u>Average Daily Flow (MGD)</u>	<u>Peak Day Flow (MGD)</u>
2007	23.995	38.538
2008	22.879	38.968
2009	19.543	29.643
2010	19.832	40.908
2011	18.902	28.945
2012	18.380	25.137
2013	17.088	24.999
2014	16.762	24.426
2015	16.725	23.957
2016	17.707	24.664

Source: Hernando County Utilities Department

HISTORIC WASTEWATER TREATMENT PLANT FLOWS

The following table sets forth data regarding the Historic Wastewater Treatment Plant Flows for the last ten fiscal years for Hernando County, Florida:

<u>Fiscal Year</u>	<u>Average Daily Flow (MGD)</u>
2007	3.869
2008	3.644
2009	3.817
2010	3.827
2011	3.692
2012	3.966
2013	3.978
2014	4.128
2015	4.191
2016	4.470

Source: Hernando County Utilities Department

**HERNANDO COUNTY, FLORIDA
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COUNTY SYSTEM RATES
Monthly Water Rates

As of September 30, 2016

Residential

Minimum Monthly Billing Charge:		
All Meter Sizes	\$	6.69
Consumption Charge (Per 1,000 Gallons)		
0-5000	\$	1.25
5,001-10,000		1.47
10,001-20,000		2.20
20,001-30,000		2.96
30,001-50,000		4.42
50,001-75,000		7.36
Above 75,000		14.72

Commercial

Minimum Monthly Billing Charge:		
Per ERU	\$	6.69
Consumption Charge (Per 1,000 Gallons)		
0-10,000	\$	1.47
10,001-20,000		2.20
20,001-30,000		2.96
30,001-50,000		4.42
50,001-75,000		7.36
Above 75,000		14.72

Irrigation

Minimum Monthly Billing Charge:		
Per ERU	\$	6.69
Consumption Charge (Per 1,000 Gallons)		
0-10,000	\$	1.47
10,001-20,000		2.20
20,001-30,000		2.96
30,001-50,000		4.42
50,001-75,000		7.36
Above 75,000		14.72

Residential

Minimum Monthly Billing Charge (per Account)	\$	17.86
Consumption Charge (Per 1,000 Gallons) (Capped at 10,000 Gallons per Month)		3.85

Commercial

Minimum Monthly Billing Charge (per ERU)	\$	17.86
Consumption Charge (Per 1,000 Gallons)		3.85

1) Amounts shown to be applied on a per ERU basis.
Source: *Hernando County Utilities Department*

**HERNANDO COUNTY, FLORIDA
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COUNTY SYSTEM RATES (CONTINUED)

Connection Fee ERU

Set forth below is a table which summarizes the water and wastewater system Connection Fees for each respective meter size for the last five fiscal years:

Meter Size	ERU Meter Factor	2012		2013		2014		2015		2016	
		Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
5/8	1	\$ 1,147	\$ 3,544	\$ 1,147	\$ 3,544	\$ 1,147	\$ 3,544	\$ 1,147	\$ 3,544	\$ 1,147	\$ 3,544
3/4	1.5	1,721	5,316	1,721	5,316	1,721	5,316	1,721	5,316	1,721	5,316
1	2.5	2,868	8,860	2,868	8,860	2,868	8,860	2,867	8,860	2,867	8,860
1 1/2	5	5,735	17,720	5,735	17,720	5,735	17,720	5,735	17,720	5,735	17,720
2	8	9,176	28,352	9,176	28,352	9,176	28,352	9,176	28,352	9,176	28,352
3	16	18,352	56,704	18,352	56,704	18,352	56,704	18,352	56,704	18,352	56,704
4	25	28,675	88,600	28,675	88,600	28,675	88,600	28,675	88,600	28,675	88,600
6	50	57,350	177,200	57,350	177,200	57,350	177,200	57,350	177,200	57,350	177,200
8	80	91,760	283,520	91,760	283,520	91,760	283,520	91,760	283,520	91,760	283,520
10	115	131,905	407,560	131,905	407,560	131,905	407,560	131,905	407,506	131,905	407,506

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COUNTY SYSTEM RATES (CONTINUED)

Other County System Rates and Charges

The County has several other charges that are applicable to miscellaneous or customer-requested services. Set forth in the table below is a summary of other miscellaneous charges imposed by the County that are common in the utility industry, for the last five fiscal years.

Charges/Fee Descriptions	2012	2013	2014	2015	2016
Water Hook-up Fees:					
Meter Size:					
5/8" x 3/4" Water Meter	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250
5/8" x 3/4" Water Meter Short/Long Tap-In	350	350	350	350	350
1" Water Meter	750	750	750	750	750
1 1/2" Water Meter	1,170	1,170	1,170	1,170	1,170
2" Water Meter	1,400	1,400	1,400	1,400	1,400
3" Compound Water Meter	Contracted	Contracted	Contracted	Contracted	Contracted
4" Compound Water Meter	Contracted	Contracted	Contracted	Contracted	Contracted
6" Compound Water Meter	Contracted	Contracted	Contracted	Contracted	Contracted
8" Compound Water Meter	Contracted	Contracted	Contracted	Contracted	Contracted
Wastewater Hook-Up Fee:					
Residential	N/A	N/A	N/A	N/A	N/A
Commercial	N/A	N/A	N/A	N/A	N/A
Utility Service Fee:					
Workdays - 8:00 a.m. to 5:00 p.m.	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
After 5:00 p.m., Weekends, Holidays	70.00	70.00	70.00	70.00	70.00

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The following two tables set forth a summary of the Hernando County Water and Sewer Capital Improvements and Funding Sources for the next five years.

FIVE-YEAR CAPITAL IMPROVEMENTS PROGRAM

	Fiscal Year Ending September 30,					
	2017	2018	2019	2020	2021	Total
WATER SYSTEM						
Water Production	\$ -	\$ 500,000	\$ 300,000	\$ -	\$ -	800,000
Water Distribution/Storage	2,559,058	800,000	2,430,216	1,830,216	700,000	8,319,490
Water Decommission	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,636</u>	<u>1,181,784</u>	<u>1,236,420</u>
Total Water Systems	2,559,058	1,300,000	2,730,216	1,884,852	1,881,784	10,355,910
WASTEWATER SYSTEM						
Treatment and Effluent Disposal	1,583,000	-	-	-	-	1,583,000
Reclaimed Water Facilities	6,000,000	6,000,000	-	-	-	12,000,000
W.W. Collection/Effluent Transmission	<u>3,032,423</u>	<u>975,000</u>	<u>1,025,000</u>	<u>1,025,000</u>	<u>175,000</u>	<u>6,232,423</u>
Total Wastewater System	10,615,423	6,975,000	1,025,000	1,025,000	175,000	19,815,423
TOTAL – Water & Wastewater System	<u>\$ 13,174,481</u>	<u>\$ 8,275,000</u>	<u>\$ 3,755,216</u>	<u>\$ 2,909,852</u>	<u>\$ 2,056,784</u>	<u>\$ 30,171,333</u>

**HERNANDO COUNTY, FLORIDA
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FUNDING SOURCES FOR FIVE-YEAR WATER AND SEWER CAPITAL IMPROVEMENTS PROGRAM

FUNDING SOURCES	Fiscal Year Ending September 30,					
	2017	2018	2019	2020	2021	Total
WATER SYSTEM						
Proceeds from issuance of debt & State Revolving Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	-
Capital Reserves	1,993,000	600,000	900,000	-	-	3,493,000
Renewal & Replacement Fund	482,625	700,000	700,000	700,000	700,000	3,2825,625
Connection Fees	83,433	-	1,130,216	1,130,216	-	2,343,865
Operating Reserves	-	-	-	54,636	1,181,784	1,236,420
Total Water System	2,559,058	1,300,000	2,730,216	1,884,852	1,881,784	10,355,910
WASTEWATER SYSTEM						
Proceeds from issuance of debt & State Revolving Loan Proceeds	-	-	-	-	-	-
Capital Reserves	4,301,000	1,500,000	-	-	-	5,801,000
Renewal & Replacement Fund	1,683,000	975,000	175,000	175,000	175,000	3,183,000
Connection Fees	131,423	-	850,000	850,000	-	1,831,423
Other Funding Sources	4,500,000	4,500,000	-	-	-	9,000,000
Total Wastewater System	10,615,423	6,975,000	1,025,000	1,025,000	175,000	19,815,423
TOTAL – Water & Wastewater System	\$ 13,174,481	\$ 8,275,000	\$ 3,755,216	\$ 2,909,852	\$ 2,056,784	\$ 30,171,333

**HERNANDO COUNTY, FLORIDA
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HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE-COUNTY SYSTEM

The following table shows certain historical operating data for the Water and Sewer System for the last five fiscal years. Presentation of such figures is intended to reflect the provisions of the Resolution. The historical figures are derived from the County's audited financial statements.

	Fiscal Year Ending September 30,				
	2012	2013	2014	2015	2016
Water & Wastewater Sales Revenues	\$ 24,192,129	\$ 25,241,583	\$ 26,555,419	\$ 28,251,427	\$ 31,061,648
Other Operating Revenues	391,513	318,425	413,874	454,335	501,088
Interest Income	310,588	62,792	300,214	383,392	362,002
Total Gross Revenues (1)	<u>24,894,230</u>	<u>25,622,800</u>	<u>27,269,507</u>	<u>29,089,154</u>	<u>31,924,738</u>
Operating Expenses: (2)					
Personal Services	7,422,585	6,950,981	7,338,481	7,388,867	8,116,910
Other Operating Expenses	8,940,837	8,350,666	8,559,089	9,002,832	9,857,776
Depreciation Equivalent Charges (3)	<u>(277,508)</u>	<u>(275,374)</u>	<u>(280,955)</u>	<u>(329,876)</u>	<u>(169,459)</u>
Total Operating Expenses	<u>16,085,914</u>	<u>15,026,273</u>	<u>15,616,615</u>	<u>16,061,823</u>	<u>17,805,227</u>
Net Revenues (4)	8,808,316	10,596,527	11,652,892	13,027,331	14,119,511
Connection Fees:					
Water Connection Fees	189,508	252,476	390,692	439,996	644,833
Wastewater Connection Fees	<u>348,780</u>	<u>541,610</u>	<u>988,048</u>	<u>944,020</u>	<u>1,532,964</u>
Total Connection Fees	<u>538,288</u>	<u>794,086</u>	<u>1,378,740</u>	<u>1,384,016</u>	<u>2,177,797</u>
Pledged Funds (5)	9,346,604	11,390,613	13,031,632	14,411,347	16,297,308
Actual Senior Lien Debt Service	\$ 4,037,493	\$ 4,041,262	\$ 3,540,182	\$ 3,802,294	\$ 3,800,334
Actual Coverage on Net Revenues (6)	2.18	2.62	3.29	3.43	3.72
Required Coverage	1.00	1.00	1.00	1.00	1.00
Actual Coverage on Pledged Funds (6)	2.32	2.82	3.68	3.79	4.29
Required Coverage	1.10	1.10	1.10	1.10	1.10

(1) Pursuant to the Resolution, does not include Sewer Connection Fees, Water Connection Fees or Special Assessment Proceeds.

(2) Pursuant to the Resolution, does not include amortization or depreciation.

(3) For purposes of this table, charges associated with replacement of vehicles in lieu of depreciation have been eliminated. This is consistent with definition of Operating Expenses in the Resolution, which excludes depreciation, amortization and other similar charges.

(4) Net revenues are defined in the Resolution as Gross Revenues less Operating Expenses.

(5) Pledged Revenues are defined in the Resolution as Net Revenues plus Connection Fees, together with certain other funds and accounts which are accounted for in this table.

(6) The Series 1998 Bonds were refunded with Non-Ad Valorem Refunding Revenue Bonds, Series 2010. The Pledge for the 2010 bonds is from non-ad valorem revenues, not from revenue of the water and sewer system, and is therefore not a legal obligation of the water and sewer system. For purposes of this report, however, we have included the portion of debt service attributed to the water and sewer fund. If the Non-Ad Valorem Bond debt service were not included in the calculation, the coverage for each of the Net Revenues and Pledged Funds would increase by 0.62 and the Pledged Funds would increase by 0.71.

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TOP TEN UTILITY CUSTOMERS (BASED ON SALES REVENUE)

The following table shows the ten largest customers of Hernando County for fiscal year ending September 30, 2016:

<u>Customer</u>	<u>Class</u>	<u>Meter Size</u>	<u>Type of Service</u>	<u>System Revenue</u>	<u>% of Total County Sales Revenue</u>
Hernando County School Board	Commercial	3"-6"	Water & Sewer	229,540	0.7%
Oak Hill Hospital	Commercial	6"	Water & Sewer	\$ 152,301	0.5%
Oak Hill Hospital Cooling Tower	Commercial	2"	Water	106,953	0.3%
Hernando Correctional Institution	Commercial	6"	Water & Sewer	105,196	0.3%
Hernando County Jail	Commercial	6"	Water & Sewer	97,965	0.3%
Brooksville Regional Hospital	Commercial	6"	Water & Sewer	93,145	0.3%
Bridgewater Club Apartments	Commercial	6"	Water & Sewer	87,901	0.3%
Atria Evergreen Woods	Commercial	4"	Water & Sewer	47,864	0.2%
Evergreen Woods	Commercial	4"	Water & Sewer	37,807	0.1%
Spring Hill Hospital Cooling Tower	Commercial	2"	Water	36,916	0.1%
Total				\$ <u>995,588</u>	

Source: Hernando County Utilities Department.

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NON-AD VALOREM REFUNDING REVENUE BONDS, SERIES 2010

The following table represents the County's determination of non-ad valorem revenues for the last six years (excludes non-ad valorem revenues of the County which are not legally available to pay debt service on the Series 2010 Bonds). Certain of such revenue may heretofore or hereinafter be specifically pledged to secure other indebtedness by the County. Any such debt would be payable from such specific revenue sources prior to payment of debt service on the Series 2010 Bonds. Such table is not intended to represent revenues of the County which would necessarily be available to pay debt service on the Series 2010 Bonds; however, they are an indication of the relative amounts of non-ad valorem revenues of the County which may be available for the payment of principal and interest on the Series 2010 Bonds taking into account general government expenditures. Certain categories may cease to exist altogether and new sources may come about from time to time.

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HISTORICAL NON-AD VALOREM REVENUES IN GENERAL FUND ⁽¹⁾

	Fiscal Year Ending September 30,					
	2011	2012	2013	2014	2015	2016
Revenues						
Taxes:						
Local Communications Services Tax	\$ 1,504,949	\$ 1,449,390	\$ 1,435,395	\$ 1,633,894	\$ 1,786,365	\$ 1,725,437
Licenses and Permits:						
Other	84,855	114,792	25,045	29,280	326,210	363,882
Intergovernmental:						
Local Governmental Half-Cent Sales Tax ⁽²⁾	7,231,814	7,354,197	7,607,684	8,000,302	8,646,879	9,098,938
State Revenue Sharing	3,398,058	3,653,304	3,837,535	4,063,333	4,392,492	4,519,219
Other ⁽³⁾	6,333,825	5,214,191	4,442,909	3,324,724	4,082,022	6,225,361
Charges for Services:						
General Government	6,115,380	6,186,098	6,333,203	7,227,029	9,389,625	7,642,009
Public Safety	900,651	1,446,821	1,435,883	1,569,743	1,792,748	1,668,836
Physical Environment	-	13,535	14,387	46,486	170,986	308,890
Transportation	124,650	105,383	153,139	146,528	164,232	174,220
Human Services	184,711	166,362	205,263	215,707	212,236	225,273
Recreation and Culture	653,264	720,273	696,200	716,081	687,864	746,590
Other	17,188	18,867	16,997	16,414	30,890	25,368
Fines and Forfeitures	81,279	72,890	80,083	94,522	87,637	76,420
Interest Income	199,819	439,913	(50,679)	311,288	358,184	402,933
Miscellaneous Revenue	4,391,048	4,856,984	1,854,816	6,813,485	1,740,723	1,507,647
Total Sources of Non-Ad Valorem Revenues	\$ 31,221,491	\$ 31,813,000	\$ 28,087,860	\$ 34,208,816	\$ 33,869,093	\$ 34,711,023

(1) Includes non-ad valorem revenues in General Fund only.

(2) This revenue source is pledged as the source of security for the Capital Improvement and Refunding Revenue Bonds, Series 2004, and parity bonds issued in the future, and this revenue source will only be available as a source for payment for the Series 2010 Bonds, Non-Ad Valorem Refunding Revenue Note, Series 2012, and the Non-Revolving Lines of Credit after the satisfaction of such debt service payment obligations.

(3) Increases/decreases predominantly due to changes in grant funding provided by other governmental agencies.

**HERNANDO COUNTY, FLORIDA
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OTHER OBLIGATIONS PAYABLE FROM NON-AD VALOREM REVENUES

The County has other debt issues outstanding which are secured by and payable from specific non-ad valorem revenues (excluding gas taxes and net revenues of the water and sewer enterprise fund, neither of which are legally available to pay debt service on the Series 2010 Bonds). Such indebtedness is summarized below.

Description	Source of Security	Amount Outstanding (1)	Final Maturity	Maximum Annual Debt Service
Non-Revolving Line of Credit	Covenant to Budget and Appropriate Legally Available Non-Ad Valorem Revenues	\$ 9,211,945	05/01/2029	\$ 3,328,779
Non-Ad Valorem Refunding Revenue Bonds, Series 2010	Covenant to Budget and Appropriate Legally Available Non-Ad Valorem Revenues	\$ 3,015,000	02/01/2024	\$ 1,209,806
Capital Improvement and Refunding Revenue Bonds, Series 2004	Half-Cent Sales Tax	\$ 935,000	02/01/2017	\$ 951,363
Non-Ad Valorem Refunding Revenue Note, Series 2012	Covenant to Budget and Appropriate Legally Available Non-Ad Valorem Revenues	\$ 22,583,000	02/01/2028	\$ 3,159,419
		<u>\$ 35,744,945</u>		<u>\$ 8,649,367</u>

(1) The amount outstanding on each bond issue is calculated as of September 30, 2016.

**HERNANDO COUNTY, FLORIDA
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GENERAL FUND REVENUES AND EXPENDITURES

The Following chart shows information regarding the General Fund for the County's fiscal years ending September 30, 2011 through September 30, 2016:

	Fiscal Year Ending September 30,					
	2011	2012	2013	2014	2015	2016
REVENUES						
Taxes	\$ 43,279,100	\$ 41,670,959	\$ 42,873,673	\$ 49,333,564	\$ 50,405,280	\$ 51,800,500
Licenses and Permits	84,855	114,792	25,045	29,280	326,210	363,882
Intergovernmental	16,963,697	16,221,692	15,888,128	15,388,359	17,121,393	17,392,796
Charges for Services	7,995,844	8,657,339	8,855,072	9,937,988	12,448,581	10,791,186
Fines and Forfeitures	81,279	72,890	80,083	94,522	87,637	76,420
Interest	199,819	439,913	(50,679)	311,288	358,184	402,933
Miscellaneous	4,391,048	4,856,984	1,854,816	6,813,485	1,740,723	1,507,647
TOTAL REVENUES	\$ 72,995,642	\$ 72,034,569	\$ 69,526,138	\$ 81,908,486	\$ 82,488,008	\$ 82,335,364
EXPENDITURES						
Current:						
General Government	\$ 16,123,765	\$ 15,207,200	\$ 16,087,274	\$ 17,582,331	\$ 18,918,049	\$ 19,799,462
Public Safety	41,616,383	40,358,747	39,307,247	40,174,325	42,363,066	44,253,671
Physical Environment	279,628	231,525	203,783	217,920	232,043	264,339
Transportation	2,216,598	1,735,042	1,700,081	2,167,372	1,556,825	2,039,001
Economic Environment	2,621,067	1,908,289	1,489,083	719,489	569,075	468,929
Human Services	4,360,482	7,632,578	6,044,268	7,168,329	5,623,448	4,047,107
Culture and Recreation	4,519,654	4,188,493	4,041,556	4,300,868	4,614,532	4,651,780
Court Operations	995,679	1,029,061	1,094,414	1,142,680	1,141,355	1,223,902
Debt Service:						
Principal	-	-	54,144	473,906	508,414	469,465
Interest and Fiscal Charges	-	-	10,992	105,412	81,411	116,433
Capital Outlay	1,304,956	1,170,228	1,849,119	1,934,363	2,401,167	2,764,664
TOTAL EXPENDITURES	\$ 74,035,212	\$ 73,461,163	\$ 71,881,961	\$ 75,986,995	\$ 78,009,385	\$ 80,098,753
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,039,570)	\$ (1,426,594)	\$ (2,355,823)	\$ 5,921,491	\$ 4,478,623	\$ 2,236,611
OTHER FINANCING SOURCES (USES)						
Transfers In (1)	\$ 1,076,937	\$ 7,327,586	\$ 767,796	\$ 451,407	\$ 670,107	\$ 1,192,360
Transfers Out (1)	(3,931,092)	(3,513,768)	(6,661,999)	(2,945,088)	(4,727,066)	(4,092,519)
Additions to Long-Term Debt	-	-	324,861	750,736	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (2,854,155)	\$ 3,813,818	\$ (5,569,342)	\$ (1,742,945)	\$ (4,056,959)	\$ (2,900,159)
Net Change in Fund Balances	(3,893,725)	2,387,224	(7,925,165)	4,178,546	421,664	(663,548)
BEGINNING FUND BALANCE	28,169,291	24,275,566	26,662,790	18,737,625	22,916,171	23,337,835
ENDING BALANCE	\$ 24,275,566	\$ 26,662,790	\$ 18,737,625	\$ 22,916,171	\$ 23,337,835	\$ 22,674,287

(1) Transfers from or to other funds of the County.