

Special-Purpose
Financial Statements

Sheriff
Leon County, Florida

Year ended September 30, 2004
Independent Auditors' Report

Thomas Howell Ferguson P.A.
and
Law, Redd, Crona & Munroe P.A.

Sheriff
Leon County, Florida

Special-Purpose Financial Statements

Year ended September 30, 2004

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Independent Auditors' Report

The Honorable Sheriff
Leon County, Florida

We have audited the accompanying special-purpose financial statements of the Sheriff of Leon County, Florida, as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the Sheriff of Leon County, Florida. Our responsibility is to express an opinion on these special-purpose 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* and any amendments thereto, 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position of Leon County, Florida, as of September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of each of the major funds and the agency funds of the Sheriff of Leon County, Florida, as of September 30, 2004, and the results of each of the major funds' operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2004 on our consideration of the Sheriff of Leon County, Florida's internal control over financial reporting and on our tests of his compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Sheriff and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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

Thomas Howell Ferguson P. A.

December 14, 2004

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Sheriff
Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2004

	<u>General</u>	<u>Special Grants</u>	<u>Emergency Management 911 Fees</u>
Assets			
Cash	\$ 1,913	\$ 246,353	\$ 26,349
Investments	2,061,282	0	0
Accounts receivable	1,062	7,125	0
Due from other funds	131,309	0	63,221
Due from other county units	60,225	7,652	0
Due from other governments	42,732	52,704	0
Inventories	148,016	0	0
Total assets	<u>\$ 2,446,539</u>	<u>\$ 313,834</u>	<u>\$ 89,570</u>
Liabilities and fund equity			
Liabilities:			
Accounts payable	\$ 1,019,513	\$ 0	\$ 29,765
Accrued liabilities	1,319,865	0	0
Due to other funds	5,458	77,871	22,606
Due to other county units	9,387	0	37,199
Due to other governments	92,316	0	0
Total liabilities	<u>2,446,539</u>	<u>77,871</u>	<u>89,570</u>
Fund equity:			
Fund balances:			
Reserved for law enforcement training	0	88,594	0
Reserved for special projects	0	147,369	0
Reserved for inmate expenditures	0	0	0
Total liabilities and fund equity	<u>\$ 2,446,539</u>	<u>\$ 313,834</u>	<u>\$ 89,570</u>

The accompanying notes are an integral part of the special-purpose financial statements.

<u>Inmate Welfare</u>	<u>Emergency Management Grants</u>	<u>Total Governmental Funds</u>
\$ 327,898	\$ 0	\$ 602,513
0	0	2,061,282
73,562	0	81,749
2,804	5,458	202,792
40,581	94,481	202,939
0	0	95,436
736	0	148,752
<u>\$ 445,581</u>	<u>\$ 99,939</u>	<u>\$ 3,395,463</u>

\$ 39,675	\$ 14,141	\$ 1,103,094
0	0	1,319,865
8,153	85,798	199,886
0	0	46,586
0	0	92,316
<u>47,828</u>	<u>99,939</u>	<u>2,761,747</u>

0	0	88,594
0	0	147,369
397,753	0	397,753
<u>\$ 445,581</u>	<u>\$ 99,939</u>	<u>\$ 3,395,463</u>

Sheriff
Leon County, Florida

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

Year Ended September 30, 2004

	<u>General</u>	<u>Special Grants</u>	<u>Emergency Management 911 Fees</u>
Revenues			
Intergovernmental	\$ 0	\$ 1,012,894	\$ 0
Charges for services	1,065,613	219,331	0
Miscellaneous	48,525	179,512	0
Total revenues	<u>1,114,138</u>	<u>1,411,737</u>	<u>0</u>
Expenditures			
Current			
General government			
Personal services	1,946,437	0	0
Operating	89,251	0	0
Total general government	<u>2,035,688</u>	<u>0</u>	<u>0</u>
Public Safety			
Personal services	32,477,887	72,398	214,814
Operating	10,085,411	772,977	818,255
Capital outlay	1,199,304	488,592	16,720
Total public safety	<u>43,762,602</u>	<u>1,333,967</u>	<u>1,049,789</u>
Total expenditures	<u>45,798,290</u>	<u>1,333,967</u>	<u>1,049,789</u>
Excess of revenues over (under) expenditures	<u>(44,684,152)</u>	<u>77,770</u>	<u>(1,049,789)</u>
Other financing sources (uses)			
Transfers in	44,688,781	0	1,086,992
Transfers out	(4,629)	0	(37,203)
Total other financing sources (uses)	<u>44,684,152</u>	<u>0</u>	<u>1,049,789</u>
Net change in fund balances	0	77,770	0
Fund balances, at beginning of year	0	158,193	0
Fund balances, at end of year	<u>\$ 0</u>	<u>\$ 235,963</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the special-purpose financial statements.

<u>Inmate Welfare</u>	<u>Emergency Management Grants</u>	<u>Total Governmental Funds</u>
\$ 0	\$ 217,195	\$ 1,230,089
803,364	0	2,088,308
748	0	228,785
<u>804,112</u>	<u>217,195</u>	<u>3,547,182</u>
0	0	1,946,437
<u>0</u>	<u>0</u>	<u>89,251</u>
<u>0</u>	<u>0</u>	<u>2,035,688</u>
201,778	164,851	33,131,728
679,109	43,236	12,398,988
<u>52,670</u>	<u>9,108</u>	<u>1,766,394</u>
<u>933,557</u>	<u>217,195</u>	<u>47,297,110</u>
<u>933,557</u>	<u>217,195</u>	<u>49,332,798</u>
<u>(129,445)</u>	<u>0</u>	<u>(45,785,616)</u>
0	0	45,775,773
<u>0</u>	<u>0</u>	<u>(41,832)</u>
<u>0</u>	<u>0</u>	<u>45,733,941</u>
(129,445)	0	(51,675)
<u>527,198</u>	<u>0</u>	<u>685,391</u>
<u>\$ 397,753</u>	<u>\$ 0</u>	<u>\$ 633,716</u>

Sheriff
Leon County, Florida

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

Year Ended September 30, 2004

	<u>General Fund</u>			
	<u>Budgeted Amounts</u>		<u>(Budgetary Basis - Note 1)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0
Charges for services	738,664	738,664	742,628	3,964
Interest	0	0	0	0
Miscellaneous	0	0	0	0
Total revenues	<u>738,664</u>	<u>738,664</u>	<u>742,628</u>	<u>3,964</u>
Expenditures				
Current				
General government:				
Personal services	1,833,383	1,833,383	1,946,437	(113,054)
Operating	108,238	108,238	89,251	18,987
Total general government	<u>1,941,621</u>	<u>1,941,621</u>	<u>2,035,688</u>	<u>(94,067)</u>
Public Safety				
Personal services	32,413,610	32,413,610	32,158,892	254,718
Operating	9,783,713	9,897,849	10,078,223	(180,374)
Capital outlay	1,174,365	1,174,365	1,153,977	20,388
Total public safety	<u>43,371,688</u>	<u>43,485,824</u>	<u>43,391,092</u>	<u>94,732</u>
Total expenditures	<u>45,313,309</u>	<u>45,427,445</u>	<u>45,426,780</u>	<u>665</u>
Excess of revenues over (under) expenditures	<u>(44,574,645)</u>	<u>(44,688,781)</u>	<u>(44,684,152)</u>	<u>4,629</u>
Other financing sources (uses)				
Transfers in	44,574,645	44,688,781	44,688,781	(0)
Transfers out	0	0	(4,629)	(4,629)
Total other financing sources (uses)	<u>44,574,645</u>	<u>44,688,781</u>	<u>44,684,152</u>	<u>(4,629)</u>
Net change in fund balances	0	0	0	0
Fund balances, at beginning of year	0	0	0	0
Fund balances, at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Emergency Management 911 Fees

Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
217,208	217,208	214,814	2,394
853,406	853,406	818,255	35,151
16,378	16,378	16,720	(342)
<u>1,086,992</u>	<u>1,086,992</u>	<u>1,049,789</u>	<u>37,203</u>
<u>1,086,992</u>	<u>1,086,992</u>	<u>1,049,789</u>	<u>37,203</u>
<u>(1,086,992)</u>	<u>(1,086,992)</u>	<u>(1,049,789)</u>	<u>37,203</u>
1,086,992	1,086,992	1,086,992	0
0	0	(37,203)	(37,203)
<u>1,086,992</u>	<u>1,086,992</u>	<u>1,049,789</u>	<u>(37,203)</u>
0	0	0	0
0	0	0	0
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Sheriff
Leon County, Florida

Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General and Special Revenue Funds - Continued

Year Ended September 30, 2004

	<u>Emergency Management Grants</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 217,195	\$ 217,195	\$ 217,195	\$ 0
Charges for services	0	0	0	0
Interest	0	0	0	0
Miscellaneous	0	0	0	0
Total revenues	<u>217,195</u>	<u>217,195</u>	<u>217,195</u>	<u>0</u>
Expenditures				
Current				
General government:				
Personal services	0	0	0	0
Operating	0	0	0	0
Total general government	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Public Safety				
Personal services	161,370	161,370	164,851	(3,481)
Operating	55,825	55,825	43,236	12,589
Capital outlay	0	0	9,108	(9,108)
Total public safety	<u>217,195</u>	<u>217,195</u>	<u>217,195</u>	<u>0</u>
Total expenditures	<u>217,195</u>	<u>217,195</u>	<u>217,195</u>	<u>0</u>
Excess of revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other financing sources (uses)				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	0	0	0	0
Fund balances, at beginning of year	0	0	0	0
Fund balances, at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Sheriff
Leon County, Florida

Statement of Fiduciary Assets and Liabilities
Agency Funds

September 30, 2004

Assets

Cash	\$ 154,890
Due from other funds	28,839
Due from other governments	<u>5,844</u>
Total assets	<u>\$ 189,573</u>

Liabilities

Accounts payable	\$ 19,223
Due to other funds	31,745
Due to other county units	97,573
Due to other governments	546
Deposits	<u>40,486</u>
Total liabilities	<u>\$ 189,573</u>

The accompanying notes are an integral part of the special-purpose financial statements.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

1. Summary of Significant Accounting Policies

Reporting Entity

The Sheriff operates as a County agency and an elected Constitutional Officer of Leon County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Sheriff is a separate constitutional officer as provided by Chapter 218, *Florida Statutes*. Leon County is a charter county, which allows for the same powers and duties as provided by the *Constitution of the State of Florida* and *Florida Statutes*. However, in certain instances, the charter either alters or expands the powers of the elected officials via vote referendum. The Sheriff is considered to be part of the primary government of Leon County, Florida, and is included in the Leon County annual financial report. The financial statements contained herein represent the financial transactions of the Sheriff only.

The accounting policies of the Sheriff conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Presentation

These special-purpose financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the Auditor General, State of Florida.

Description of Funds

The financial activities of the Sheriff are recorded in separate funds, which are categorized and described as follows:

Governmental Fund Types

- o General Fund — The General Fund is the general operating fund of the Sheriff. This fund is used to account for all financial transactions not required to be accounted for in another fund.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

1. Summary of Significant Accounting Policies (continued)

- o Special Grants Fund — To account for various law enforcement grants and the proceeds of specific revenue sources that are legally restricted to expenditures for specific law enforcement purposes.
- o Emergency Management 911 Fund — To account for operations related to the 911 fees imposed and collected from local telephone exchange customers. Expenditures are restricted to the establishment and maintenance of an emergency telephone number “911” system.
- o Inmate Welfare Fund — To account for the operations related to various rehabilitative programs and other expenditures related to inmate welfare.
- o Emergency Management Grants Fund — To account for grant funds restricted to expenditures for emergency management operations.

Fiduciary Fund Types

- o Agency Funds — These funds are used to account for assets held by the Sheriff as an agent, including prisoner housing, work release and warrant fees which are remitted to other governmental agencies, restitution, forfeitures and other collections which are remitted to third parties, employee contributions to be used for designated purposes and prisoner deposits which is expended on their personal effects. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

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

The accounts of the Governmental Funds and Agency Funds are maintained on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they are received in cash or when they are considered both measurable and available and as such, are susceptible to accrual. Expenditures are recorded when the liability is incurred and/or will be paid from expendable available financial resources.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

1. Summary of Significant Accounting Policies (continued)

The Sheriff considers receivables collected within 30 days after year-end to be available and susceptible to accrual as revenues of the current year. There are essentially two types of revenue when applying the “susceptible to accrual” concept to intergovernmental revenues. Primarily all grant revenues are recognized on the basis of expenditures incurred for the specific purpose or project. Other revenues are generally unrestricted and are revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if measurable and available to finance expenditures of the current period. The following major revenues are considered susceptible to accrual: charges for services, intergovernmental revenues, grant revenues expended on a cost reimbursement basis, and interest earned.

Budgets and Budgetary Accounting

Florida Statutes, Chapter 30, governs the preparation, adoption and administration of the Sheriff’s annual budget. Line item expenditures in excess of budget are authorized to the extent that total expenditures do not exceed total budgeted expenditures at the fund level. Annual budgets are adopted for the General and Emergency Management Funds. The Sheriff’s budget is prepared on a basis of accounting that differs from accounting principles generally accepted in the United States (GAAP). The difference between the budgetary basis of accounting and GAAP is that certain expenditures for security-related services that are reimbursed by other entities and the associated revenues are not included in the annual budget (see Note 7). Appropriations lapse at the close of the fiscal year to the extent they have not been expended. The budgeted revenues and expenditures in the accompanying statement of revenues, expenditures and changes in fund balance – budget and actual, reflect all approved amendments.

Investments

The Sheriff follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with Statement No. 31, investments in external pools that follow SEC Rule 2a-7 regulations are reported at amortized cost, which approximates fair value.

Inventories

Inventories consist of supplies and are stated at the lower of cost (determined on a first-in, first-out basis) or market. The consumption method is used for all funds.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

1. Summary of Significant Accounting Policies (continued)

Capital Assets

The Sheriff is accountable for and thus maintains capital asset records pertaining to the equipment used in his operations. Real property used by the Sheriff is accounted for by the Board of County Commissioners (Board), as the Board holds legal title and is accountable for such assets under Florida law.

Capital assets purchased in the governmental fund types are recorded as capital outlay expenditures at the time of purchase. The tangible personal property used by the Sheriff is reported as capital assets, at cost, in the statement of net assets in the government-wide financial statements of Leon County, Florida. Donated and confiscated capital assets are recorded in the County's statement of net assets at fair value at the time received. Capital assets are depreciated using the straight-line method over 5 to 20 years. Depreciation expense is recorded in the statement of activities in the government-wide financial statements of Leon County, Florida.

Liability for Compensated Absences

Permanent full-time employees with the rank of Major and below receive annual vacation and sick leave based on policies determined by the Sheriff. Annual leave is earned as follows:

First 5 years of service	3.75 hours biweekly
5-10 years of service	4.75 hours biweekly
10-15 years of service	5.75 hours biweekly
15-20 years of service	6.50 hours biweekly
20 or more years of service	7.50 hours biweekly

Total accumulation may not exceed 240 hours each for annual and compensatory leave. An employee's total annual leave may exceed 240 hours during a calendar year, but will be reduced to 240 hours on the last pay period for that year if not taken by the employee prior to that date. Annual leave in excess of 240 hours on the last pay period for that year will be converted to sick leave and credited to the employee's sick leave balance. Compensatory leave in excess of 240 hours at any time during the year will be paid to the employee at his current rate of pay. Each employee earns 3.75 hours of sick leave biweekly. As an incentive to employees who use little or no sick leave during the year, eight to twenty-four additional hours of annual leave are awarded.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

1. Summary of Significant Accounting Policies (continued)

Any employee who terminates shall be paid for the following accrued time at their current rate of pay:

a. All accrued annual leave not to exceed 240 hours for employees who have reached permanent status and who separate in good standing. Annual leave in excess of 240 hours will be added to the employees' sick leave balance. Employees participating in the Deferred Retirement Option Program (DROP) shall be paid 50% of their annual leave balance accrued since entering DROP, in excess of the paid 240 hours.

b. All accrued compensatory leave.

c. All unused holiday leave.

d. Accrued sick leave as follows:

5-10 Years of Service	20% of the accumulated sick leave
10 or More Years of Service	30% of the accumulated sick leave
Retirement (with 10 or more years)	50% of the accumulated sick leave
Death of Employee	75% of the accumulated sick leave
Death (in the line of duty)	100% of the accumulated sick leave

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Sheriff uses the vesting method to calculate the liability for compensated absences. The Sheriff does not, nor is he legally required to, accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the Sheriff's General Fund, but is included in the statement of net assets in the government-wide financial statements of Leon County, Florida.

Transfers In and Out

The Board funds the majority of the operating budget of the Sheriff. The payments by the Board to fund the operations of the Sheriff are recorded as transfers in on the financial statements of the Sheriff. In accordance with Florida Statutes, the Sheriff distributes all general fund revenues in excess of expenditures to the Board within 31 days following the end of the fiscal year. These excess fees are reported as a liability and as operating transfers out to the Board on the financial statements of the Sheriff.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

1. Summary of Significant Accounting Policies (continued)

Common Expenses

Certain expenses, which are common to the Board and all Constitutional Officers, are reported as expenses of the Board and, therefore, are not budgeted by or allocated to the Sheriff. These are:

Occupancy costs
Property insurance (except vehicle)

Reserves

Reserves indicate that portion of the fund balance which is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve and designation indicates the purpose for which each is intended.

2. Cash and Investments

Cash

At September 30, 2004, the carrying amounts of the Sheriff's deposits with financial institutions designated by the State Treasurer as qualified public depositories were \$682,436 and the bank balances were \$1,269,504. Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the State Treasurer or other custodian with full legal rights maintained by the Treasurer to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the State Treasurer and paid by the other public depositories. The Sheriff's deposits are in qualified public depositories and are therefore considered fully insured or collateralized. In addition, the Sheriff maintains two bank accounts in a fiduciary capacity to account for certain inmate and employee deposits. The carrying amounts and bank balances of these deposits were \$73,847 and \$80,139, respectively. At times, the balances may exceed the Federal Depository Insurance Corporation limit of \$100,000 per bank. At September 30, 2004, there were no uninsured cash balances. Cash on hand at September 30, 2004 was \$1,120.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

2. Cash and Investments (continued)

Investments

The Sheriff is authorized to invest in all State-approved investments identified in Chapter 218.415(17), *Florida Statutes*, which include:

1. Local Government Surplus Funds Trust Fund administered by the State Board of Administration;
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

At September 30, 2004, all of the Sheriff's investments were deposited with the Local Government Surplus Funds Trust Fund (LGSF) administered by the Florida State Board of Administration (SBA). The LGSF is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for an SEC Rule 2a-7 fund. The LGSF is governed by Chapter 19-7 of the *Florida Administrative Code*, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Florida Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2004, the LGSF contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR rates. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's amortized cost. The Sheriff's fair value of their position in the pool approximates their value of the pool shares.

The investment in the Local Government Surplus Funds Trust Fund at September 30, 2004 of \$2,061,282 is not categorized as to custodial risk since the investment is not evidenced by securities that exist in physical or book entry form.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

3. Capital Assets

As discussed in Note 1, tangible personal property used by the Sheriff in operations is reported in the government-wide financial statements of Leon County, Florida. A summary of the changes in capital assets for the year ended September 30, 2004 follows:

	Balance October 1, 2003	Additions	Deletions	Balance September 30, 2004
Vehicles and equipment	\$ 17,444,641	\$ 1,759,015	\$ (340,698)	\$ 18,862,958

4. Long-Term Liabilities

A summary of changes in the long-term liabilities of the Sheriff follows:

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004
Liability for compensated absences	\$ 4,755,225	\$ 3,061,632	\$(2,399,843)	\$ 5,417,014

Of the \$5,417,014 liability for accrued compensated absences, management estimates that \$1,618,862 will be due and payable within one year. The long-term liabilities are not reported in the financial statements of the Sheriff since they are not payable from available resources at September 30, 2004. As discussed in Note 1, they are reported in the statement of net assets as part of the government-wide financial statements of Leon County, Florida.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

5. Employees' Retirement Plan

All full-time and permanent part-time employees of the Sheriff are eligible to participate in the Florida Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS) administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates and vesting requirements by membership category, is provided in the Leon County, Florida Comprehensive Annual Financial Report. Contributions and benefits are established by Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required. The contributions paid for the years ended September 30, 2004, 2003 and 2002 were \$3,834,128, \$3,249,892 and \$3,125,561, respectively, which is equal to the required contribution for each year.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling 850-488-5706.

6. Other Required Individual Fund Disclosures

Individual fund interfund receivable and payable balances at September 30, 2004, were:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 131,309	\$ 5,458
Special Grants Fund	0	77,871
Emergency Management 911 Fund	63,221	22,606
Inmate Welfare Fund	2,804	8,153
Emergency Management Grants Fund	5,458	85,798
Agency Funds	28,839	31,745
	<u>\$ 231,631</u>	<u>\$ 231,631</u>

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

6. Other Required Individual Fund Disclosures (continued)

Interfund balances in the Governmental Funds primarily represent repayments from the funds responsible for particular expenditures to the funds that initially paid for them. Interfund balances in the Agency Funds primarily represent collections from the Inmate Fund that are to be remitted to other governmental entities. Interfund balances are due and payable within one year.

7. Reconciliation of Budget and Actual

The actual results of operations in the statement of revenues, expenditures and changes in fund balances – budget and actual – General and Special Revenue Funds, are presented on a budgetary basis. Adjustments necessary to convert the results of operations at the end of the year from the budgetary basis of accounting to the GAAP basis of accounting are as follows (See Note 1):

	Budgetary Basis	Reimbursements/ Adjustments	GAAP Basis
General Fund			
Revenues:			
Charges for services	\$ 742,628	\$ 322,985	\$ 1,065,613
Miscellaneous	0	48,525	48,525
Expenditures:			
Public safety:			
Personal services	(32,158,892)	(318,995)	(32,477,887)
Operating	(10,078,223)	(7,188)	(10,085,411)
Capital outlay	(1,153,977)	(45,327)	(1,199,304)
	\$(42,648,464)	\$ 0	\$(42,648,464)

8. Risk Management

Professional Liability

The Sheriff is currently a member of the Florida Sheriffs' Association and participates in the Florida Sheriffs' Self-Insurance Fund. The Self-Insurance Fund administers insurance activities related to professional liability and covers compensatory damages (except back pay), employment benefits, punitive damages, attorney fees or costs awarded to a prevailing Plaintiff, and all legal fees involved in defense of the Sheriff. The contribution required for the year ended September 30, 2004 was \$527,966.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

8. Risk Management (continued)

The limits of the Self-Insurance Fund for the above-mentioned damages, fees and defense costs are \$3,100,000 per claim, incident or occurrence and \$3,300,000 in aggregate for the policy year. Settled claims did not exceed this coverage in the current year.

Automobile Liability

As a member of the Florida Sheriff's Association, the Sheriff participates in the Sheriffs' Automobile Risk Program (SHARP) for automobile liability insurance. Coverage includes liability for bodily injury and property damage, personal injury protection, auto medical payments and bodily injury for uninsured motorists. Coverage for physical damage is also maintained on certain vehicles. The contribution required for the year ended September 30, 2004 was \$166,058.

Workers' Compensation

The Sheriff participates in the Leon County Insurance Service Fund which accounts for self-insurance activities relating to workers' compensation. This fund is administered by a third-party administrator. The Sheriff makes payments to the Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims. The contribution required for the year ended September 30, 2004 was \$1,009,456. Excess payments are recorded as a designation of retained earnings for catastrophic losses on the books of Leon County. Excess coverage with a commercial carrier is also in force for each claim exceeding \$500,000.

9. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. Total encumbrances at September 30, 2004 were \$13,877 and \$0 for the General and Emergency Management Funds, respectively.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2004

10. Commitments and Contingencies

A. Operating Leases

The Sheriff is committed to various operating leases for certain office and telephone equipment. Operating leases are generally defined as leases that do not transfer benefits and risks of ownership to the lessee. For the year ended September 30, 2004, equipment lease expenses were \$291,083. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

2005	\$ 77,292
2006	36,466
2007	24,903
2008	17,196
2009	13,938
Thereafter	23,400
Total future minimum lease payments	<u>\$ 193,195</u>

B. Litigation

At September 30, 2004, there were certain claims and legal actions pending against the Sheriff from the normal course of operations. The outcome of these claims and actions is not presently determinable.

At September 30, 2004, there were various other claims and legal actions pending against the Sheriff. These claims are covered through the Sheriff's participation in the Florida Sheriffs' Self-Insurance Fund. In the opinion of the Sheriff's legal council, the liabilities which may arise from such actions would be adequately covered by the Self-Insurance Fund.

C. Long-Term Contracts

The Sheriff and the County entered into an inter-local agreement with the City of Tallahassee (the City) on July 23, 1999 to establish parameters relating to ownership, expansion, operation, maintenance and the use of the 800 MHz Trunked Simulcast Radio (TSR) system. The agreement provides for 25% ownership of certain equipment by the Sheriff and the County. The agreement also provides that the Sheriff and the County are required to pay to the City 25% of the system operating costs. The term of the agreement is seven years. Activity related to the agreement is accounted for as a joint operation.

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Special-Purpose Financial Statements Performed in Accordance with
Government Auditing Standards

September 30, 2004

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Special-Purpose Financial Statements
Performed in Accordance with *Government Auditing Standards*

The Honorable Sheriff
Leon County, Florida

We have audited the special-purpose financial statements of the Sheriff of Leon County, Florida, as of and for the year ended September 30, 2004, and have issued our report thereon dated December 15, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sheriff of Leon County, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff of Leon County, Florida's special-purpose financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

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We have noted other matters pursuant to the *Rules of the Auditor General*, Chapter 10.550 that we have reported to the management of the Sheriff of Leon County in a separate letter dated December 14, 2004.

This report is intended solely for the information and use of the Sheriff of Leon County, Florida, the Auditor General, State of Florida, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

December 14, 2004

Management Letter

September 30, 2004

Management Letter

The Honorable Sheriff
Leon County, Florida

We have audited the special-purpose financial statements of the Sheriff of Leon County, Florida, as of and for the year ended September 30, 2004, and have issued our report thereon dated December 14, 2004.

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*, and any amendments thereto, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the special-purpose financial statements of the Sheriff of Leon County, Florida, for the year ended September 30, 2004, we considered its compliance with laws, rules, regulations and contractual provisions and its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on compliance or internal control over financial reporting.

The comments which follow are reported pursuant to the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of the local governmental entity audits performed in the State of Florida, and require disclosure of certain findings even though they may not materially affect the financial statements.

We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated December 14, 2004, should be considered in conjunction with this management letter.

Our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*. Those rules (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the Report on Internal Control and Compliance and Other Matters, and matters that are not clearly inconsequential, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules,

regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. We reported no inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations or contractual provisions in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' report on compliance and internal controls, whether or not recommendations made in the preceding annual financial audit report have been followed. In the preceding annual financial report, we recommended that bank reconciliations be prepared by a person not responsible for the transactions in the account being reconciled. We also recommended that someone independent of the reconciliation process receive the bank statements unopened and review the statements prior to the reconciliation being completed. During the fiscal year ended September 30, 2004, the Sheriff implemented our recommendations as described above.

As required by *The Rules of the Auditor General* (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we noted no instances of noncompliance with Section 218.415, *Florida Statutes*.

The Rules of the Auditor General (Section 10.554(1)(h)3 and 4.) require disclosure of any recommendations to improve the local governmental entity's financial management, accounting procedures and internal controls and any (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters required to be disclosed.

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the Notes to the Special-Purpose Financial Statements. The name or official title and legal authority for the primary government of the reporting entity is disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Sheriff has no component units.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.554(1)(h).

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This report is intended solely for the information and use of the Sheriff of Leon County, Florida, the Auditor General, State of Florida, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Law, Redd, Crona & Munroe, P.A. *Thomas Howell Ferguson P.A.*

December 14, 2004