

Special-Purpose  
Financial Statements

Sheriff  
Leon County, Florida

*Year ended September 30, 2008  
with 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, 2008

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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 (the Sheriff), as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of management. 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* 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 financial statements, 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 at 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 intended to present the financial position, and the changes in financial position, where applicable, of only that portion of the government activities that is attributable to the transactions of the Sheriff. They do not purport to, and do not, present fairly the financial position of Leon County, Florida, as of September 30, 2008, and the changes in its financial position, where applicable, 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, 2008, 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 February 12, 2009 on our consideration of the Sheriff'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 conjunction with this report in assessing the results of our audit.

This report is intended solely for the information and use of management, 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 & Murrell, P.A. Thomas Howell Ferguson P.A.

February 12, 2009

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Sheriff  
Leon County, Florida

Balance Sheet  
Governmental Funds

September 30, 2008

	<b>General</b>	<b>Special Grants</b>
<b>Assets</b>		
Cash	\$ 4,973,691	\$ 434,536
Investments	76,716	-
Accounts receivable	16,463	306
Due from other funds	391,399	-
Due from other county units	-	17,098
Due from other governments	136,745	532,984
Inventories	312,922	1,601
Total assets	5,907,936	986,525
<b>Liabilities and fund equity</b>		
Liabilities:		
Accounts payable	1,181,138	224,502
Accrued liabilities	3,012,053	5,712
Deferred revenue	-	55,102
Due to other funds	-	290,025
Due to other county units	1,714,745	-
Due to other governments	-	24
Total liabilities	5,907,936	575,365
Fund equity:		
Fund balances:		
Reserved for law enforcement training	-	71,450
Reserved for special projects	-	339,710
Reserved for inmate expenditures	-	-
Total liabilities and fund equity	\$ 5,907,936	\$ 986,525

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

<b>Emergency Management 911 Fees</b>	<b>Inmate Welfare</b>	<b>Emergency Management Grants</b>	<b>Total Governmental Funds</b>
\$ 190,747	\$ 370,055	\$ -	\$ 5,969,029
-	-	-	76,716
-	38,295	3,978	59,042
-	9,600	2,723	403,722
-	-	-	17,098
-	-	45,526	715,255
-	377	-	314,900
<u>190,747</u>	<u>418,327</u>	<u>52,227</u>	<u>7,555,762</u>
6,425	3,769	884	1,416,718
8,938	11,753	7,822	3,046,278
-	-	-	55,102
58,520	2,056	43,521	394,122
116,864	75,000	-	1,906,609
-	-	-	24
<u>190,747</u>	<u>92,578</u>	<u>52,227</u>	<u>6,818,853</u>
-	-	-	71,450
-	-	-	339,710
-	325,749	-	325,749
<u>\$ 190,747</u>	<u>\$ 418,327</u>	<u>\$ 52,227</u>	<u>\$ 7,555,762</u>

Sheriff  
Leon County, Florida

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

Year ended September 30, 2008

	<b>General</b>	<b>Special Grants</b>	<b>Emergency Management 911 Fees</b>
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 2,017,762	\$ -
Charges for services	1,567,165	73,237	-
Fines and Forfeitures	-	233,336	-
Miscellaneous	162,989	108,443	13,144
Total revenues	1,730,154	2,432,778	13,144
<b>Expenditures</b>			
Current:			
Judicial:			
Personal services	2,741,425	-	-
Operating	107,582	-	-
Total judicial	2,849,007	-	-
Public Safety:			
Personal services	42,874,298	167,908	245,347
Operating	13,427,211	305,623	620,610
Capital outlay	1,543,378	879,757	341,281
Total public safety	57,844,887	1,353,288	1,207,238
Intergovernmental	-	1,025,047	-
Total expenditures	60,693,894	2,378,335	1,207,238
Excess of revenues over (under) expenditures	(58,963,740)	54,443	(1,194,094)
<b>Other financing sources (uses)</b>			
Transfers in	60,481,974	-	1,310,958
Transfers out	(1,518,234)	-	(116,864)
Total other financing sources (uses)	58,963,740	-	1,194,094
Net change in fund balances	-	54,443	-
Fund balances, at beginning of year	-	356,717	-
Fund balances, at end of year	\$ -	\$ 411,160	\$ -

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>
\$ -	\$ 148,485	\$ 2,166,247
995,271	-	2,635,673
-	-	233,336
14,946	-	299,522
<u>1,010,217</u>	<u>148,485</u>	<u>5,334,778</u>
-	-	2,741,425
-	-	107,582
-	-	<u>2,849,007</u>
315,027	231,018	43,833,598
670,970	39,308	15,063,722
-	1,870	2,766,286
<u>985,997</u>	<u>272,196</u>	<u>61,663,606</u>
-	-	1,025,047
<u>985,997</u>	<u>272,196</u>	<u>65,537,660</u>
<u>24,220</u>	<u>(123,711)</u>	<u>(60,202,882)</u>
-	123,711	61,916,643
-	-	(1,635,098)
-	123,711	<u>60,281,545</u>
24,220	-	78,663
301,529	-	658,246
<u>\$ 325,749</u>	<u>\$ -</u>	<u>\$ 736,909</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, 2008

	<b>General Fund</b>			
	<u>Budgeted Amounts</u>		<b>(Budgetary Basis - Note 1) Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	1,056,848	1,056,848	1,054,288	(2,560)
Miscellaneous	-	-	-	-
Total revenues	<u>1,056,848</u>	<u>1,056,848</u>	<u>1,054,288</u>	<u>(2,560)</u>
<b>Expenditures</b>				
Current:				
Judicial:				
Personal services	2,786,031	2,786,031	2,741,425	44,606
Operating	120,717	120,717	107,582	13,135
Capital outlay	-	-	-	-
Total judicial	<u>2,906,748</u>	<u>2,906,748</u>	<u>2,849,007</u>	<u>57,741</u>
Public Safety:				
Personal services	44,062,718	44,062,718	42,360,412	1,702,306
Operating	13,458,662	13,158,662	13,380,925	(222,263)
Capital outlay	1,110,694	1,410,694	1,427,684	(16,990)
Total public safety	<u>58,632,074</u>	<u>58,632,074</u>	<u>57,169,021</u>	<u>1,463,053</u>
Total expenditures	<u>61,538,822</u>	<u>61,538,822</u>	<u>60,018,028</u>	<u>1,520,794</u>
Excess of revenues over (under) expenditures	<u>(60,481,974)</u>	<u>(60,481,974)</u>	<u>(58,963,740)</u>	<u>1,518,234</u>
<b>Other financing sources (uses)</b>				
Transfers in	60,481,974	60,481,974	60,481,974	-
Transfers out	-	-	(1,518,234)	(1,518,234)
Total other financing sources (uses)	<u>60,481,974</u>	<u>60,481,974</u>	<u>58,963,740</u>	<u>(1,518,234)</u>
Net change in fund balances	-	-	-	-
Fund balances, at beginning of year	-	-	-	-
Fund balances, at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Emergency Management 911 Fees**

<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Original</b>	<b>Final</b>		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	13,144	13,144
-	-	13,144	13,144
-	-	-	-
-	-	-	-
-	-	-	-
258,693	258,693	245,347	13,346
722,276	722,276	620,610	101,666
329,989	329,989	341,281	(11,292)
<u>1,310,958</u>	<u>1,310,958</u>	<u>1,207,238</u>	<u>103,720</u>
1,310,958	1,310,958	1,207,238	103,720
<u>(1,310,958)</u>	<u>(1,310,958)</u>	<u>(1,194,094)</u>	<u>116,864</u>
1,310,958	1,310,958	1,310,958	-
-	-	(116,864)	(116,864)
<u>1,310,958</u>	<u>1,310,958</u>	<u>1,194,094</u>	<u>(116,864)</u>
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*(continued)*

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, 2008

	<u>Emergency Management Grants</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		Actual	
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 133,090	\$ 148,485	\$ 148,485	\$ -
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>133,090.00</u>	<u>148,485.00</u>	<u>148,485.00</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Judicial:				
Personal services	-	-	-	-
Operating	-	-	-	-
Capital outlay	-	-	-	-
<b>Total judicial</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Safety:				
Personal services	203,387.00	218,782.00	231,018.00	(12,236.00)
Operating	52,205.00	52,205.00	39,308.00	12,897.00
Capital outlay	1,209.00	1,209.00	1,870.00	(661.00)
<b>Total public safety</b>	<u>256,801.00</u>	<u>272,196.00</u>	<u>272,196.00</u>	<u>-</u>
<b>Total expenditures</b>	<u>256,801.00</u>	<u>272,196.00</u>	<u>272,196.00</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(123,711.00)</u>	<u>(123,711.00)</u>	<u>(123,711.00)</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	123,711.00	123,711.00	123,711.00	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>123,711.00</u>	<u>123,711.00</u>	<u>123,711.00</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, at beginning of year	-	-	-	-
<b>Fund balances, at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Sheriff  
Leon County, Florida

Statement of Fiduciary Assets and Liabilities  
Agency Funds

September 30, 2008

<b>Assets</b>	
Cash	\$ 176,712
Accounts receivable	376
Due from other funds	33,539
Total assets	<u>\$ 210,627</u>
<b>Liabilities</b>	
Accounts payable	\$ 4,584
Due to other funds	43,139
Due to other county units	112,586
Due to other governments	7,848
Deposits	42,470
Total liabilities	<u>\$ 210,627</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, 2008

**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 voter 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, 2008

**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 and 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, 2008

**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**

Section 30.49, *Florida Statutes*, 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 8). 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 or market, determined on a first-in, first-out basis. The consumption method is used for all funds whereby the cost is recorded as an expenditure at the time of issuance to the user department.



Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**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 costing \$1,000 or more and having a useful life in excess of one year 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, 2008

**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.

**Other Postemployment Benefits**

The Sheriff through Leon County offers retiree medical and life insurance benefits for qualifying Sheriff employees that have retired from a Florida Retirement System (FRS) pension plan.

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**1. Summary of Significant Accounting Policies (continued)**

**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.

**Common Expenses**

Certain expenses for occupancy costs, 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.

**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**

As of September 30, 2008, the Sheriff had the following in cash and investments:

	<b>Carrying Amount</b>
Cash on Hand	\$ 1,177
Deposits in Qualified Public Depositories	6,144,564
Local Government Surplus Funds Trust Fund	76,716
Total Cash and Investments	<u>\$6,222,457</u>

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**2. Cash and Investments (continued)**

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The Sheriff's investment practices are governed by Section 218.415(17), *Florida Statutes*, and include the following investments:

1. The Local Government Surplus Funds Trust Fund or any authorized intergovernmental investment pool;
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.

The Sheriff has no investment policy that would further limit its investment choices.

The Local Government Surplus Funds Trust Fund (LGSF) is 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, 2008, 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 current rating for the LGSF is AAAM by Standard and Poors. The fair value of the Sheriff's position in the pool approximates the value of the pool shares. At September 30, 2008, the Sheriff had \$76,716 invested with LGSF.

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**2. Cash and Investments (continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it or the organization may not be able to recover the value of its investments that are in the possession of an outside party.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Section 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. The Sheriff's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2008 were \$6,644,512.

The investment in the LGSF is not classified as to custodial risk since the investment is not evidenced by securities that exist in physical or book entry form.

**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, 2008 follows:

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008
Vehicles and equipment	\$ 21,151,588	\$ 2,766,286	\$ (1,435,882)	\$ 22,481,992

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**4. Long-Term Liabilities**

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

	<b>Balance October 1, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance September 30, 2008</b>
Liability for compensated absences	\$ 6,561,043	\$3,308,490	\$(2,575,456)	\$7,294,077

Of the \$7,294,077 liability for accrued compensated absences, management estimates that \$2,035,739 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, 2008. 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.

**5. Employees' Retirement Plan**

All full-time and permanent part-time employees of the Sheriff are eligible to participate in the Florida Retirement System (the FRS). The FRS includes various plans, including a defined benefit pension plan, which is primarily a cost-sharing multiple-employer defined benefit public employee pension plan. The defined benefit plan is 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 blended 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.

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**5. Employees' Retirement Plan (continued)**

The Board also participates in the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*. The benefit is a monthly cash payment to assist retirees of state-administered retirement systems in paying their health insurance costs. Additional information regarding benefits is provided in the county-wide financial statements of Leon County, Florida.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2008, the contribution rate was 1.11 percent of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions paid for the years ended September 30, 2008, 2007 and 2006 were \$5,849,478, \$5,436,478 and \$4,644,712, 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, Post Office Box 9000, Tallahassee, Florida 32315-9000, or by calling 850-488-5706.

**6. Other Postemployment Benefits**

*Plan Description.* The Sheriff participates in an agent multiple-employer plan administered by Leon County, Florida (the County) under which qualified retired employees are permitted to participate in the health and life insurance benefits program (the Program). The Program is considered by the County's insurance provider to be community-related and the Program may be amended by the County's Board of County Commissioners. A stand alone financial report is not issued for the Program.

*Funding Policy.* Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**6. Other Postemployment Benefits (continued)**

*Annual OPEB Cost and Net OPEB Obligation.* As described in Note 1, the Sheriff is an elected Constitutional Officer of the County. The annual Other Postemployment Benefit (OPEB) obligation of Constitutional Officers is recognized in the county-wide financial statements of the County and the obligation associated with each Constitutional Officer is disclosed within the notes of their respective financial statements. The County's OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by Governmental Accounting Standard Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the Sheriff's share of the County's annual OPEB cost, its actual contributions and changes in the Sheriff's share of the County's net OPEB obligation:

Normal cost (service cost for one year)	\$ 143,155
Amortization of unfunded actuarial accrued liability	238,920
Interest on normal cost and amortization	<u>15,283</u>
Annual required contribution	397,358
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	397,358
Contributions made	<u>(78,821)</u>
Increase in net OPEB obligation	318,537
Net OPEB obligation at beginning of year	<u>-</u>
Net OPEB Obligation at end of year	<u>\$ 318,537</u>

The Sheriff's share of the County's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2008	<u>\$ 397,358</u>	<u>\$ 78,821</u>	<u>20%</u>	<u>\$ 318,537</u>



Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**6. Other Postemployment Benefits (continued)**

*Funded status and Funding Progress.* As of September 30, 2008, the Sheriff's share of the actuarial accrued liability for benefits recognized in the County's financial statements is \$4,296,669, all of which is unfunded. The Sheriff's covered payroll (annual payroll of active employees covered by the plan) was \$31,149,270. The ratio of the Sheriff's actuarial accrued liability to the Sheriff's covered payroll was 13.79% at September 30, 2008.

The projection of future benefit payments for an ongoing plan involves 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.

*Actuarial Methods and Assumptions.* Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation. The actuarial calculations reflect a long-term perspective and the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the October 1, 2007 actuarial valuation, the projected unit credit method of funding was used. The objective under the method is to fund each participant's benefits under the plan as they would accrue, taking into consideration the plan's benefit allocation formula. Thus, the total benefit value each participant is expected to become entitled to is broken down into units, each associated with a year of past or future credited service. The actuarial assumptions included a 4% rate of return based on the estimated long term investments that are expected to be used to finance the payment of the benefits. In addition, the actuarial assumptions included a 3% salary growth rate. The unfunded actuarial liability is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008 was 30 years.

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**7. Other Required Individual Fund Disclosures**

Individual fund interfund receivable and payable balances at September 30, 2008, were:

	Receivable	Payable
General Fund	\$ 391,399	\$ 0
Special Grants Fund	0	290,025
Emergency Management 911 Fund	0	58,520
Inmate Welfare Fund	9,600	2,056
Emergency Management Grants Fund	2,723	43,521
Agency Funds	33,539	43,139
	\$ 437,261	\$ 437,261

Interfund balances in the Governmental Funds primarily represent repayments due 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.

**8. 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	\$ 1,054,288	\$ 512,877	\$ 1,567,165
Miscellaneous	0	162,989	162,989
Expenditures:			
Public safety:			
Personal services	(42,360,412)	(513,886)	(42,874,298)
Operating	(13,380,925)	(46,286)	(13,427,211)
Capital outlay	(1,427,684)	(115,694)	(1,543,378)
	\$(56,114,733)	\$ 0	\$(56,114,733)

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**9. 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, 2008 was \$605,268.

The limits of the Self-Insurance Fund for the above-mentioned damages, fees and defense costs are \$3,100,000 per person, \$3,200,000 per incident or occurrence and \$3,500,000 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, bodily injury for uninsured motorists and physical damage. Coverage for physical damage is also maintained on certain vehicles. The contribution required for the year ended September 30, 2008 was \$174,045.

**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, 2008 was \$1,058,035. 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 \$350,000.

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**9. Risk Management (continued)**

**Excess Insurance**

In the normal course of jail operations, the Sheriff seeks to limit its exposure to loss for catastrophic medical costs by purchasing insurance under an excess coverage contract. During the year ended September 30, 2008, the Sheriff maintained an excess insurance policy that provides coverage of \$250,000 and \$750,000 on individual and aggregate claims, respectively, for claims in excess of \$75,000 reported during the annual contract term. The premium required for the year ended September 30, 2008 was \$61,417.

**10. 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, 2008 were as follows:

General Fund	\$ 42,403
Special Revenue	187,017
Inmate Welfare	<u>12,546</u>
	<u>\$241,966</u>

**11. Commitments and Contingencies**

**A. Operating Leases**

The Sheriff is committed to various operating leases for certain office and radio 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, 2008, equipment lease expenses were \$92,572. Following is a schedule of future minimum lease payments under the equipment leases as of September 30:

2009	\$ 25,424
2010	17,725
2011	10,639
2012	10,639
2013	<u>9,079</u>
Total future minimum lease payments	<u>\$ 73,506</u>

Sheriff  
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2008

**11. Commitments and Contingencies (continued)**

**B. Litigation**

At September 30, 2008, 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, 2008, 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 counsel, 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. Absent a prior notice to terminate, the agreement shall be extended annually. 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, 2008*

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, (the Sheriff) as of and for the year ended September 30, 2008, and have issued our report thereon dated February 12, 2009. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sheriff's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sheriff's financial statements that is more than inconsequential will not be prevented or detected by the Sheriff's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff'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 or other matters that are required to be reported under *Government Auditing Standards*.

We have issued a management letter to the Sheriff of Leon County, Florida, dated February 12, 2009, presenting certain required disclosures and comments pursuant to the *Rules of the Auditor General*, Chapter 10.550.

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, Reed, Brown & Munroe, P. A.      Thomas Howard Ferguson, P. A.

February 12, 2009



Management Letter

*September 30, 2008*

## Management Letter

The Honorable Sheriff  
Leon County, Florida

We have audited the special-purpose financial statements of the Sheriff of Leon County, Florida (the Sheriff), as of and for the year ended September 30, 2008, and have issued our report thereon dated February 12, 2009.

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 of material misstatement.

In planning and performing our audit of the special-purpose financial statements of the Sheriff, for the year ended September 30, 2008, 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.

We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated February 12, 2009, should be considered in conjunction with this management letter.

Our audit was conducted in accordance with 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; unless they have been previously addressed in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

The *Rules of the Auditor General* (Section 10.554(1)(i)1.) require that we address in the management letter, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial report. We reported no findings or recommendations in the preceding annual financial report.

As required by The *Rules of the Auditor General* (Section 10.554(1)(i)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 determined that the Sheriff complied with Section 218.415, *Florida Statutes*.

The *Rules of the Auditor General* (Section 10.554(1)(i)3.) requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)4.), requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)5.) requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred; and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)6.) 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 fund 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*, Section 10.554(1)(i).

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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 & Murise, P.A.*      *Thomas Howell Ferguson P.A.*

February 12, 2009