

Special-Purpose
Financial Statements

Sheriff
Leon County, Florida

*Year ended September 30, 2009
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, 2009

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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, 2009, as listed in the table of contents. These financial statements are the responsibility of the Sheriff's 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 governmental 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, 2009, 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, 2009, and the results of each of the major funds' operations for the year then ended, in conformity with the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2010 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 of Leon County, Florida and the State of Florida, Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Howell Ferguson C.A.

Law, Redd, Crona & Munroe P.A.

February 18, 2010

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Sheriff
Leon County, Florida

Balance Sheet -
Governmental Funds

September 30, 2009

	<u>General</u>	<u>Special Grants</u>	<u>Emergency Management 911 Fees</u>
Assets			
Cash	\$ 4,876,627	\$ 161,445	\$ 320,314
Investments	77,365	-	-
Accounts receivable	2,737	52	-
Due from other funds	87,558	-	108,256
Due from other county units	47,116	8,991	-
Due from other governments	74,857	344,746	-
Inventories	270,579	1,361	-
Total assets	<u>\$ 5,436,839</u>	<u>\$ 516,595</u>	<u>\$ 428,570</u>
Liabilities and fund equity			
Liabilities:			
Accounts payable	\$ 635,778	\$ 0	\$ 28,502
Accrued liabilities	3,346,676	3,858	9,555
Deferred revenue	-	57,436	-
Due to other funds	-	81,647	1,747
Due to other county units	1,454,385	-	-
Total liabilities	5,436,839	142,941	39,804
Fund equity:			
Fund balances:			
Reserved for law enforcement training	-	63,984	-
Reserved for special projects	-	309,670	-
Reserved for 911 expenditures	-	-	388,766
Reserved for inmate expenditures	-	-	-
Total liabilities and fund equity	<u>\$ 5,436,839</u>	<u>\$ 516,595</u>	<u>\$ 428,570</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>
\$ 208,082	\$ 30,832	\$ 5,597,300
-	-	77,365
83,383	-	86,172
7,238	-	203,052
-	121,155	177,262
-	-	419,603
718	-	272,658
<u>\$ 299,421</u>	<u>\$ 151,987</u>	<u>\$ 6,833,412</u>

\$ 9,133	\$ 2,953	\$ 676,366
14,332	8,286	3,382,707
-	30,832	88,268
2,504	109,916	195,814
-	-	1,454,385
<u>25,969</u>	<u>151,987</u>	<u>5,797,540</u>

-	-	63,984
-	-	309,670
-	-	388,766
273,452	-	273,452
<u>\$ 299,421</u>	<u>\$ 151,987</u>	<u>\$ 6,833,412</u>

Sheriff
Leon County, Florida

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

Year Ended September 30, 2009

	<u>General</u>	<u>Special Grants</u>	<u>Emergency Management 911 Fees</u>
Revenues			
Intergovernmental	\$ 63,079	\$ 1,808,938	\$ -
Charges for services	1,603,040	55,506	-
Fines and Forfeitures	-	163,346	-
Miscellaneous	141,428	106,639	407
Total revenues	<u>1,807,547</u>	<u>2,134,429</u>	<u>407</u>
Expenditures			
Current:			
Judicial:			
Personal services	2,886,356	-	-
Operating	84,823	-	-
Capital outlay	46,000	-	-
Total judicial	<u>3,017,179</u>	<u>-</u>	<u>-</u>
Public Safety:			
Personal services	44,052,353	93,596	256,222
Operating	12,939,603	965,195	620,216
Capital outlay	1,525,973	505,093	2,207
Total public safety	<u>58,517,929</u>	<u>1,563,884</u>	<u>878,645</u>
Intergovernmental	-	608,051	-
Total expenditures	<u>61,535,108</u>	<u>2,171,935</u>	<u>878,645</u>
Excess of revenues over (under) expenditures	<u>(59,727,561)</u>	<u>(37,506)</u>	<u>(878,238)</u>
Other financing sources (uses)			
Transfers in	61,095,235	-	1,267,004
Transfers out	(1,367,674)	-	-
Total other financing sources (uses)	<u>59,727,561</u>	<u>-</u>	<u>1,267,004</u>
Net change in fund balances	-	(37,506)	388,766
Fund balances, at beginning of year	-	411,160	-
Fund balances, at end of year	<u>\$ -</u>	<u>\$ 373,654</u>	<u>\$ 388,766</u>

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

Inmate Welfare	Emergency Management Grants	Total Governmental Funds
\$ -	\$ 129,459	\$ 2,001,476
1,034,539	-	2,693,085
-	-	163,346
6,086	-	254,560
<u>1,040,625</u>	<u>129,459</u>	<u>5,112,467</u>
-	-	2,886,356
-	-	84,823
-	-	46,000
-	-	<u>3,017,179</u>
330,450	209,143	44,941,764
762,472	41,471	15,328,957
-	-	2,033,273
<u>1,092,922</u>	<u>250,614</u>	<u>62,303,994</u>
-	-	608,051
<u>1,092,922</u>	<u>250,614</u>	<u>65,929,224</u>
<u>(52,297)</u>	<u>(121,155)</u>	<u>(60,816,757)</u>
-	121,155	62,483,394
-	-	(1,367,674)
-	<u>121,155</u>	<u>61,115,720</u>
(52,297)	-	298,963
325,749	-	736,909
<u>\$ 273,452</u>	<u>\$ -</u>	<u>\$ 1,035,872</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, 2009

	General Fund			
	Budgeted Amounts		(Budgetary Basis - Note 1)	Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	1,046,649	1,046,649	1,053,868	7,219
Miscellaneous	-	-	-	-
Total revenues	<u>1,046,649</u>	<u>1,046,649</u>	<u>1,053,868</u>	<u>7,219</u>
Expenditures				
Current:				
Judicial:				
Personal services	2,755,409	2,755,409	2,886,356	(130,947)
Operating	115,324	115,324	84,823	30,501
Capital outlay	-	-	46,000	(46,000)
Total judicial	<u>2,870,733</u>	<u>2,870,733</u>	<u>3,017,179</u>	<u>(146,446)</u>
Public Safety:				
Personal services	44,128,705	44,181,228	43,469,818	711,410
Operating	14,086,202	13,689,679	12,934,886	754,793
Capital outlay	1,000,244	1,400,244	1,359,546	40,698
Total public safety	<u>59,215,151</u>	<u>59,271,151</u>	<u>57,764,250</u>	<u>1,506,901</u>
Total expenditures	<u>62,085,884</u>	<u>62,141,884</u>	<u>60,781,429</u>	<u>1,360,455</u>
Excess of revenues over (under) expenditures	<u>(61,039,235)</u>	<u>(61,095,235)</u>	<u>(59,727,561)</u>	<u>1,367,674</u>
Other financing sources (uses)				
Transfers in	61,039,235	61,095,235	61,095,235	-
Transfers out	-	-	(1,367,674)	(1,367,674)
Total other financing sources (uses)	<u>61,039,235</u>	<u>61,095,235</u>	<u>59,727,561</u>	<u>(1,367,674)</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

Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	407	407
-	-	407	407
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
261,828	261,828	256,222	5,606
753,176	753,176	620,216	132,960
-	-	2,207	(2,207)
<u>1,015,004</u>	<u>1,015,004</u>	<u>878,645</u>	<u>136,359</u>
1,015,004	1,015,004	878,645	136,359
<u>(1,015,004)</u>	<u>(1,015,004)</u>	<u>(878,238)</u>	<u>136,766</u>
1,267,004	1,267,004	1,267,004	-
(252,000)	(252,000)	-	252,000
<u>1,015,004</u>	<u>1,015,004</u>	<u>1,267,004</u>	<u>252,000</u>
-	-	388,766	388,766
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,766</u>	<u>\$ 388,766</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, 2009

	Emergency Management Grants			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Intergovernmental	\$ 160,531	\$ 160,531	\$ 129,459	\$ (31,072)
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	160,531	160,531	129,459	(31,072)
Expenditures				
Current:				
Judicial:				
Personal services	-	-	-	-
Operating	-	-	-	-
Capital outlay	-	-	-	-
Total judicial	-	-	-	-
Public Safety:				
Personal services	210,591	210,591	209,143	1,448
Operating	71,095	71,095	41,471	29,624
Capital outlay	-	-	-	-
Total public safety	281,686	281,686	250,614	31,072
Total expenditures	281,686	281,686	250,614	31,072
Excess of revenues over (under) expenditures	(121,155)	(121,155)	(121,155)	-
Other financing sources (uses)				
Operating transfers in	121,155	121,155	121,155	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	121,155	121,155	121,155	-
Net change in fund balances	-	-	-	-
Fund balances, at beginning of year	-	-	-	-
Fund balances, at end of year	\$ -	\$ -	\$ -	\$ -

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, 2009

Assets

Cash	\$ 227,129
Accounts receivable	527
Due from other funds	28,831
Total assets	<u>\$ 256,487</u>

Liabilities

Accounts payable	\$ 49,634
Due to other funds	36,069
Due to other county units	124,815
Due to other governments	2,813
Deposits	43,156
Total liabilities	<u>\$ 256,487</u>

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

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

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 a part of the primary government of Leon County, Florida, and is included in the Leon County government-wide annual financial statements. 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 State of Florida, Office of the Auditor General.

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

Year ended September 30, 2009

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

Year ended September 30, 2009

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

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

Year ended September 30, 2009

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 receive annual vacation and sick leave based on policies determined by the Sheriff. Annual leave is earned biweekly as follows:

<u>Years of Service</u>	<u>Hours</u>
First 5	3.75
5-10	4.75
10-15	5.75
15-20	6.50
20 or more	7.50

Accumulated annual leave balances shall be limited based on years of service as follows:

<u>Years of Service</u>	<u>Hours</u>
First 10	240
10-20	360
20 or more	500

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

1. Summary of Significant Accounting Policies (continued)

An employee's total annual leave may exceed the annual limit during a calendar year, but will be reduced to the above limited hours on the first pay period for the following year if not taken by the employee prior to that date. Each employee earns 3.75 hours of sick leave biweekly and may be accumulated without limits. An employee may accumulate up to 240 hours of compensatory leave in addition to earned annual and sick leave.

Any employee who terminates shall be paid for all accrued compensatory leave at their current rate of pay. Employees who have reached permanent status and who separate in good standing shall be paid for the following accrued time at their current rate of pay:

- a. Accrued annual leave, not to exceed the following limits:

<u>Years of Service</u>	<u>Hours</u>
1-10	240
10-20	360
20 or more	500

- b. Accrued sick leave, limited to the following percentages of accumulated sick leave:

5-20 Years of Service	25%
20 or More Years of Service	50%
Death of Employee	75%
Death (in the line of duty)	100%

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
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Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

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, 2009, the Sheriff had the following in cash and investments:

	Carrying Amount
Cash on Hand	\$ 1,177
Deposits in Qualified Public Depositories	5,823,252
Local Government Surplus Funds Trust Fund	77,365
Total Cash and Investments	<u>\$ 5,901,794</u>

Sheriff
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Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

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 is authorized to invest in all state-approved investments identified in Section 218.415(17), *Florida Statutes*, which include:

- 1) The Florida PRIME (formerly the Local Government Surplus Funds Trust Fund) administered by the State Board of Administration; 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; and
- 4) Direct obligations of the U.S. Treasury.

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

The Sheriff invests in Florida PRIME, administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME 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 Florida PRIME. Additionally, the State of 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, 2009, Florida PRIME 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 Florida PRIME is AAAM by Standard and Poors. The weighted average days to maturity of the Florida PRIME at September 30, 2009 is 33 days. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The fair value of the Sheriff's position in the pool approximates the value of the pool shares. At September 30, 2009, the Sheriff had \$77,365 invested with the Florida PRIME.

Sheriff
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Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

2. Cash and Investments (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, 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, 2009, were \$6,427,795.

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

There were no losses during the period due to default by counterparties to investment transactions.

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, 2009 follows:

	Balance October 1, 2008	Additions	Deletions	Balance September 30, 2009
Vehicles and equipment	\$ 22,481,992	\$ 2,079,043	\$ (963,316)	\$ 23,597,719

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

4. Long-Term Liabilities

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

	Balance October 1, 2008	Additions	Retirements	Balance September 30, 2009
Liability for compensated absences	\$ 7,294,077	\$3,432,007	\$(2,023,499)	\$8,702,585

Of the \$8,702,585 liability for accrued compensated absences, management estimates that \$2,173,158 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, 2009. 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 (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.

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.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

5. Employees' Retirement Plan (continued)

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, 2009, 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, 2009, 2008 and 2007 were \$5,877,980, \$5,849,478 and \$5,436,478, 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

Year ended September 30, 2009

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 actuarially determined annual required contribution (ARC) of the employer. 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)	\$ 159,782
Amortization of unfunded actuarial accrued liability	288,969
Interest on normal cost and amortization	<u>17,950</u>
Annual required contribution	466,701
Interest on net OPEB obligation	12,741
Adjustment to annual required contribution	<u>(18,421)</u>
Annual OPEB cost	461,021
Contributions made	<u>(100,277)</u>
Increase in net OPEB obligation	360,744
Net OPEB obligation at beginning of year	<u>318,537</u>
Net OPEB Obligation at end of year	<u><u>\$ 679,281</u></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 2009 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, 2009	<u>\$ 466,701</u>	<u>\$ 100,277</u>	<u>21.49%</u>	<u>\$ 679,281</u>

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

6. Other Postemployment Benefits (continued)

Funded status and Funding Progress. As of September 30, 2009, the Sheriff's share of the actuarial accrued liability for benefits recognized in the County's financial statements is \$5,196,738, all of which is unfunded. The Sheriff's covered payroll (annual payroll of active employees covered by the plan) was \$31,753,195. The ratio of the Sheriff's actuarial accrued liability to the Sheriff's covered payroll was 16.36% at September 30, 2009.

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, 2008 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, 2009 was 30 years.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

7. Other Required Individual Fund Disclosures

Individual fund interfund receivable and payable balances at September 30, 2009, were:

	Receivable	Payable
General Fund	\$ 87,558	\$ 0
Special Grants Fund	0	81,647
Emergency Management 911 Fund	108,256	1,747
Inmate Welfare Fund	7,238	2,504
Emergency Management Grants Fund	0	109,916
Agency Funds	28,831	36,069
	\$ 231,883	\$ 231,883

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:			
Intergovernmental	\$ 0	\$ 63,079	\$ 63,079
Charges for services	1,053,868	549,172	1,603,040
Miscellaneous	0	141,428	141,428
Expenditures:			
Public safety:			
Personal services	(43,469,818)	(582,535)	(44,052,353)
Operating	(12,934,886)	(4,717)	(12,939,603)
Capital outlay	(1,359,546)	(166,427)	(1,525,973)
	\$(56,710,382)	\$ 0	\$(56,710,382)

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

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, 2009 was \$533,984.

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 \$5,000,000 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, 2009 was \$172,035.

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, 2009 was \$1,063,414. 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

Year ended September 30, 2009

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, 2009, the Sheriff maintained an excess insurance policy that provides a maximum specific benefit of \$250,000 per covered person, for claims in excess of \$75,000 reported during the annual contract term. The premium required for the year ended September 30, 2009 was \$69,496.

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, 2009 were as follows:

Special Revenue	\$ 1,500
	<u>\$ 1,500</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, 2009, equipment lease expenses were \$98,355. Following is a schedule of future minimum lease payments under the equipment leases as of September 30:

2010	\$ 17,725
2011	10,639
2012	10,639
2013	9,079
Total future minimum lease payments	<u>\$ 48,082</u>

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

Year ended September 30, 2009

11. Commitments and Contingencies (continued)

B. Litigation

At September 30, 2009, 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, 2009, 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, Leon County and the City of Tallahassee (the Parties) entered into an inter-local agreement on December 20, 2007 to establish parameters relating to ownership, expansion, operation, maintenance and the use of the 800MHz Project 25 Digital Trunked Simulcast Radio (TSR) System. The agreement provides for 50% ownership of the TSR System's backbone equipment by the Sheriff and the County. The agreement also provides that the Sheriff and the County are required to pay 50% of the TSR System's operating costs. Absent a prior notice to withdraw, the agreement shall continue until the date the agreement is terminated by mutual written agreement of the Parties. 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, 2009

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, (the Sheriff) as of and for the year ended September 30, 2009, and have issued our report thereon dated February 18, 2010. 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.

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 18, 2010, 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 State of Florida, Office of the Auditor General, 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.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

February 18, 2010

Management Letter

September 30, 2009

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, 2009, and have issued our report thereon dated February 18, 2010.

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. 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 18, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

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

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include 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*.

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

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the fund financial statements. The name or official title and legal authority for the primary government of the reporting entity are 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 Section 10.554(1)(i), *Rules of the Auditor General*.

* * * * *

Pursuant to Chapter 119, *Florida Statutes*, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, the Sheriff of Leon County, Florida, the State of Florida, Office of the Auditor General, 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.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

February 18, 2010