

Special-Purpose
Financial Statements

Sheriff
Leon County, Florida

*Year ended September 30, 2011
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, 2011

Contents

Independent Auditors' Report	1
Audited Special-Purpose Financial Statements	
Balance Sheet — Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds	5
Statement of Fiduciary Assets and Liabilities - Agency Funds	7
Notes to Special-Purpose Financial Statements.....	8
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	25
Management Letter	27

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, 2011, 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed 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, 2011, 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, 2011, and the results of each of the major funds' operations and the respective budgetary comparisons for the general fund, the emergency management 911 fees fund and the emergency management grants fund for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2012 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Handwritten signature in blue ink: Law, Redd, Crona & Munroe, P.A.Handwritten signature in black ink: Thomas Howell Ferguson D.D.

January 24, 2012

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Sheriff
Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2011

	<u>General</u>	<u>Special Grants</u>	<u>Emergency Management 911 Fees</u>
Assets			
Cash	\$ 3,239,613	\$ 646,848	\$ 522,438
Investments	1,238,841	-	-
Accounts receivable	1,271	-	-
Due from other funds	420,237	2,041	90,271
Due from other county units	55,676	16,466	-
Due from other governments	160,349	1,325,049	-
Inventories	306,884	875	-
Total assets	<u>\$ 5,422,871</u>	<u>\$ 1,991,279</u>	<u>\$ 612,709</u>
Liabilities and fund equity			
Liabilities:			
Accounts payable	\$ 1,136,697	\$ 958,933	\$ 28,931
Accrued liabilities	3,403,227	11	-
Deferred revenue	-	120,309	-
Due to other funds	69,996	404,374	224
Due to other county units	812,951	-	583,554
Total liabilities	<u>5,422,871</u>	<u>1,483,627</u>	<u>612,709</u>
Fund equity:			
Fund balances:			
Reserved for law enforcement training	-	73,751	-
Reserved for LETF expenditures	-	9,866	-
Reserved for federal forfeiture expenditures	-	355,218	-
Reserved for inmate expenditures	-	-	-
Reserved for emergency management expenditures	-	-	-
Designated for special projects	-	68,817	-
Total fund equity	<u>-</u>	<u>507,652</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 5,422,871</u>	<u>\$ 1,991,279</u>	<u>\$ 612,709</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>
\$ 277,199	\$ -	\$ 4,686,098
-	-	1,238,841
34,152	-	35,423
48,572	-	561,121
-	121,155	193,297
-	54,782	1,540,180
535	-	308,294
<u>\$ 360,458</u>	<u>\$ 175,937</u>	<u>\$ 8,563,254</u>
\$ 11,588	\$ 199	\$ 2,136,348
-	-	3,403,238
-	-	120,309
-	105,910	580,504
75,000	-	1,471,505
<u>86,588</u>	<u>106,109</u>	<u>7,711,904</u>
-	-	73,751
-	-	9,866
-	-	355,218
273,870	-	273,870
-	69,828	69,828
-	-	68,817
<u>273,870</u>	<u>69,828</u>	<u>851,350</u>
<u>\$ 360,458</u>	<u>\$ 175,937</u>	<u>\$ 8,563,254</u>

Sheriff
Leon County, Florida

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

Year Ended September 30, 2011

	General	Special Grants	Emergency Management 911 Fees
Revenues			
Intergovernmental	\$ -	\$ 3,498,856	\$ -
Charges for services	1,687,087	53,150	-
Fines and Forfeitures	-	278,566	-
Miscellaneous	181,744	24,731	513
Total revenues	1,868,831	3,855,303	513
Expenditures			
Current:			
Judicial:			
Personal services	2,962,054	-	-
Operating	97,446	-	-
Capital outlay	-	-	-
Total judicial	3,059,500	-	-
Public Safety:			
Personal services	46,026,141	217,683	290,660
Operating	12,809,148	1,115,544	603,406
Capital outlay	1,530,043	471,871	10,472
Total public safety	60,365,332	1,805,098	904,538
Intergovernmental	-	2,016,068	22,525
Total expenditures	63,424,832	3,821,166	927,063
Excess of revenues over (under) expenditures	(61,556,001)	34,137	(926,550)
Other financing sources (uses)			
Transfers in	62,310,678	139,473	1,208,023
Transfers out	(754,677)	-	(583,554)
Total other financing sources (uses)	61,556,001	139,473	624,469
Net change in fund balances	-	173,610	(302,081)
Fund balances, at beginning of year	-	334,042	302,081
Fund balances, at end of year	\$ -	\$ 507,652	\$ -

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>
\$ -	\$ 208,318	\$ 3,707,174
987,005	-	2,727,242
-	-	278,566
3,870	-	210,858
<u>990,875</u>	<u>208,318</u>	<u>6,923,840</u>
-	-	2,962,054
-	-	97,446
-	-	-
<u>-</u>	<u>-</u>	<u>3,059,500</u>
314,904	212,244	47,061,632
675,553	44,863	15,248,514
-	2,538	2,014,924
<u>990,457</u>	<u>259,645</u>	<u>64,325,070</u>
-	-	2,038,593
<u>990,457</u>	<u>259,645</u>	<u>69,423,163</u>
<u>418</u>	<u>(51,327)</u>	<u>(62,499,323)</u>
-	121,155	63,779,329
-	-	(1,338,231)
<u>-</u>	<u>121,155</u>	<u>62,441,098</u>
418	69,828	(58,225)
<u>273,452</u>	<u>-</u>	<u>909,575</u>
<u>\$ 273,870</u>	<u>\$ 69,828</u>	<u>\$ 851,350</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, 2011

	General Fund			
	<u>Budgeted Amounts</u>		(Budgetary Basis - Note 1)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	1,124,671	1,124,671	1,175,054	50,383
Miscellaneous	-	-	181,744	181,744
Total revenues	<u>1,124,671</u>	<u>1,124,671</u>	<u>1,356,798</u>	<u>232,127</u>
Expenditures				
Current:				
Judicial:				
Personal services	3,038,477	3,104,902	2,962,054	142,848
Operating	121,446	121,446	97,446	24,000
Capital outlay	8,512	8,512	-	8,512
Total judicial	<u>3,168,435</u>	<u>3,234,860</u>	<u>3,059,500</u>	<u>175,360</u>
Public Safety:				
Personal services	45,710,605	45,710,605	45,518,532	192,073
Operating	13,084,546	13,084,546	12,804,724	279,822
Capital outlay	1,405,338	1,405,338	1,530,043	(124,705)
Total public safety	<u>60,200,489</u>	<u>60,200,489</u>	<u>59,853,299</u>	<u>347,190</u>
Intergovernmental	-	-	-	-
Total expenditures	<u>63,368,924</u>	<u>63,435,349</u>	<u>62,912,799</u>	<u>522,550</u>
Excess of revenues over (under) expenditures	<u>(62,244,253)</u>	<u>(62,310,678)</u>	<u>(61,556,001)</u>	<u>754,677</u>
Other financing sources (uses)				
Transfers in	62,244,253	62,310,678	62,310,678	-
Transfers out	-	-	(754,677)	(754,677)
Total other financing sources (uses)	<u>62,244,253</u>	<u>62,310,678</u>	<u>61,556,001</u>	<u>(754,677)</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		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	513	513
-	-	513	513
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
437,385	437,385	290,660	146,725
737,641	737,641	603,406	134,235
10,472	10,472	10,472	-
1,185,498	1,185,498	904,538	280,960
22,525	22,525	22,525	-
1,208,023	1,208,023	927,063	280,960
(1,208,023)	(1,208,023)	(926,550)	281,473
1,208,023	1,208,023	1,208,023	-
-	-	(583,554)	(583,554)
1,208,023	1,208,023	624,469	(583,554)
-	-	(302,081)	(302,081)
-	-	302,081	302,081
\$ -	\$ -	\$ -	\$ -

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, 2011

	Emergency Management Grants			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Intergovernmental	\$ 335,828	\$ 335,828	\$ 208,318	\$ (127,510)
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>335,828</u>	<u>335,828</u>	<u>208,318</u>	<u>(127,510)</u>
Expenditures				
Current:				
Judicial:				
Personal services	-	-	-	-
Operating	-	-	-	-
Capital outlay	-	-	-	-
Total judicial	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Safety:				
Personal services	391,511	391,511	212,244	179,267
Operating	65,472	65,472	44,863	20,609
Capital outlay	-	-	2,538	(2,538)
Total public safety	<u>456,983</u>	<u>456,983</u>	<u>259,645</u>	<u>197,338</u>
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>456,983</u>	<u>456,983</u>	<u>259,645</u>	<u>197,338</u>
Excess of revenues over (under) expenditures	<u>(121,155)</u>	<u>(121,155)</u>	<u>(51,327)</u>	<u>69,828</u>
Other financing sources (uses)				
Operating transfers in	121,155	121,155	121,155	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>121,155</u>	<u>121,155</u>	<u>121,155</u>	<u>-</u>
Net change in fund balances	-	-	69,828	69,828
Fund balances, at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,828</u>	<u>\$ 69,828</u>

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

Sheriff
Leon County, Florida

Statement of Fiduciary Assets and Liabilities
Agency Funds

September 30, 2011

Assets

Cash	\$ 508,582
Accounts receivable	965
Due from other funds	45,377
Total assets	<u>\$ 554,924</u>

Liabilities

Accounts payable	\$ 72,816
Due to other funds	25,994
Due to other county units	142,638
Due to other governments	8,677
Deposits	304,799
Total liabilities	<u>\$ 554,924</u>

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

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

September 30, 2011

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, 2011

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 all governmental funds except the Special Grants fund, which adopts project-specific budgets, and the Inmate Welfare fund, which is not budgeted. The Sheriff’s budget is prepared on a basis of accounting that differs from accounting principles generally accepted in the United States of America (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 Balances – 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

September 30, 2011

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 and compensatory leave based on policies determined by the Sheriff.

- a. 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

September 30, 2011

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. Employees who have reached permanent status and who separate in good standing shall be paid for the accrued time at their current rate of pay, not to exceed the limitations noted above.

- b. Each employee earns 3.75 hours of sick leave biweekly that may be accumulated without limits. Accrued sick leave is paid out upon separation of service, based on the following percentages:

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

- c. An employee may also 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.

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, 2011

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. See Note 12 regarding fund balances.

2. Cash and Investments

As of September 30, 2011, the Sheriff had the following in cash and investments:

	<u>Carrying Amount</u>
Cash on Hand	\$ 1,177
Deposits in Qualified Public Depositories	5,193,503
Florida PRIME	77,759
Florida Safe Investment Pool	<u>1,161,082</u>
Total Cash and Investments	<u><u>\$ 6,433,521</u></u>

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

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;
- 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, 2011, 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, 2011 is 38 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, 2011, the Sheriff had \$77,759 invested with the Florida PRIME.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

2. Cash and Investments (continued)

The Sheriff also invests in the Florida Surplus Asset Fund Trust (FLSAFE), a local government investment pool governed by Section 218.415, *Florida Statutes*, that provides for pooling of Florida's local government funds. FLSAFE is an external investment pool that is not a registrant with the SEC; however, the FLSAFE has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. FLSAFE is managed by Davidson Fixed Income Management, Inc. (DFIM), a registered investment advisor, and the trust's investments are held in custody by U.S. Bank. Oversight for the pool is provided by a Board of Trustees consisting of members who represent participating local government entities. The trust invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, money market funds and deposits held in qualified public depositories. The current rating for the FLSAFE is AAAM by Standard and Poors. The weighted average days to maturity of the FLSAFE at September 30, 2011, is 57 days. Investments in the FLSAFE 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, 2011, the Sheriff had \$1,161,082 invested with the FLSAFE.

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 custodians 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, 2011, were \$6,087,814.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

2. Cash and Investments (continued)

The investments in the Florida PRIME and the FLSAFE Investment Pool are not classified as to custodial risk since the investments are 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, 2011 follows:

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011
Vehicles and equipment	\$ 27,402,540	\$ 2,013,038	\$ (1,257,568)	\$ 28,158,010

4. Long-Term Liabilities

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

	Balance October 1, 2010	Additions	Retirements	Balance September 30, 2011
Liability for compensated absences	\$ 8,942,237	\$ 3,519,566	\$ (4,354,443)	\$ 8,107,360

Of the \$8,107,360 liability for accrued compensated absences, management estimates that \$2,178,899 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, 2011. As discussed in Note 1, they are reported in the Statement of Net Assets as part of the government-wide financial statements of Leon County, Florida.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

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. Beginning July 1, 2011, employees are required to contribute three percent of their gross compensation to the retirement plan, exclusive of participants in the Deferred Retirement Option Program.

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 government-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, 2011, 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, 2011, 2010 and 2009 were \$5,951,353, \$6,138,723 and \$5,877,980, 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.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

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-rated 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.

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 government-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)	\$ 148,021
Amortization of unfunded actuarial accrued liability	272,057
Interest on normal cost and amortization	<u>16,803</u>
Annual required contribution	436,881
Interest on net OPEB obligation	40,991
Adjustment to annual required contribution	<u>(59,262)</u>
Annual OPEB cost	418,610
Contributions made	<u>(73,413)</u>
Increase in net OPEB obligation	345,197
Net OPEB obligation at beginning of year	<u>1,024,766</u>
Net OPEB obligation at end of year	<u><u>\$ 1,369,963</u></u>

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

6. Other Postemployment Benefits (continued)

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 2011 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, 2011	\$ 418,610	\$ 73,413	18%	\$ 1,369,963

Funded status and Funding Progress. As of September 30, 2011, the Sheriff's share of the actuarial accrued liability for benefits recognized in the County's financial statements is \$4,892,596, all of which is unfunded. The Sheriff's covered payroll (annual payroll of active employees covered by the plan) was \$32,961,786. The ratio of the Sheriff's actuarial accrued liability to the Sheriff's covered payroll was 14.84% at September 30, 2011.

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, 2010 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

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

6. Other Postemployment Benefits (continued)

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, 2011 was 30 years.

7. Other Required Individual Fund Disclosures

Individual fund interfund receivable and payable balances at September 30, 2011, were:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 420,237	\$ 69,996
Special Grants Fund	2,041	404,374
Emergency Management 911 Fund	90,271	224
Inmate Welfare Fund	48,572	-
Emergency Management Grants Fund	-	105,910
Agency Funds	45,377	25,994
	<u>\$ 606,498</u>	<u>\$ 606,498</u>

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):

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

8. Reconciliation of Budget and Actual (continued)

	Budgetary Basis	Reimbursements/ Adjustments	GAAP Basis
General Fund			
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	1,175,054	512,033	1,687,087
Miscellaneous	181,744	-	181,744
Expenditures:			
Public safety:			
Personal services	(45,518,532)	(507,609)	(46,026,141)
Operating	(12,804,724)	(4,424)	(12,809,148)
Capital outlay	(1,530,043)	-	(1,530,043)
	\$(58,496,501)	\$ -	\$ (58,496,501)

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, 2011 was \$473,040.

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 \$10,000,000 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, 2011 was \$174,068.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

9. Risk Management (continued)

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, 2011 was \$871,231. 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 \$1,000,000.

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, 2011, 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, 2011 was \$59,994.

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, 2011 were as follows:

Special Revenue Fund	<u>\$ 4,176</u>
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Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

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, 2011, equipment lease expenses were \$110,707. Following is a schedule of future minimum lease payments under the equipment leases as of September 30:

2012	\$ 49,226
2013	25,671
2014	20,991
2015	<u>9,240</u>
Total future minimum lease payments	<u>\$ 105,128</u>

B. Litigation

At September 30, 2011, 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, 2011, 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.

Sheriff
Leon County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2011

12. Fund Balance

The Governmental Accounting Standards Board's Statement No. 54, effective for fiscal years beginning after June 15, 2010, requires that all fund balances be classified into one of the following categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. As described in Note 1, the financial statements of the Sheriff are fund statements considered to be special-purpose financial statements consistent with accounting practices prescribed by the Auditor General, State of Florida. Accordingly, the reclassification of fund balances is made at the county-wide financial statement level rather than in these Special-Purpose Financial Statements. Had the fund balance been reclassified in the Special-Purpose Financial Statements, the fund balances at September 30, 2011 for the General and Special Revenue Funds would be:

		Special Revenue Funds		
	General Fund	Special Grants	Inmate Welfare	Emergency Management Grants
Nonspendable fund balance	\$ 306,884	\$ 875	\$ 535	\$ —
Restricted fund balance	—	438,835	—	69,828
Committed fund balance	—	—	—	—
Assigned fund balance	—	67,942	273,335	—
Unassigned fund balance	(306,884)	—	—	—
Fund balance total	\$ —	\$ 507,652	\$ 273,870	\$ 69,828

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, 2011

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, 2011, and have issued our report thereon dated January 24, 2012. 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

Management of the Sheriff is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Sheriff's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 January 24, 2012, 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.

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

James Howell Ferguson P.A.

January 24, 2012

Management Letter

September 30, 2011

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, 2011, and have issued our report thereon dated January 24, 2012.

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 January 24, 2012, 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 audit report. We reported no findings or recommendations in the preceding annual financial audit 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 occurred, or are likely to have occurred, 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) deficiencies in internal control 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.

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

James Howell Ferguson P.D.

January 24, 2012