

**HERNANDO COUNTY, FLORIDA
SHERIFF**

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2013

**HERNANDO COUNTY, FLORIDA
SHERIFF**

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AND
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SEPTEMBER 30, 2013

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INDEPENDENT AUDITORS' REPORT

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of each major fund and the aggregate remaining fund information of the Hernando County, Florida, Sheriff (the Sheriff), as of and for the year ended September 30, 2013, including the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the State of Florida Auditor General. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Certified Public Accountants

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

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Sheriff as of September 30, 2013, and the respective changes in financial position, budgetary comparisons, and, where applicable, cash flows thereof, for the year then ended in accordance with the financial reporting provisions of the State of Florida Auditor General, as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions of the State of Florida Auditor General, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the State of Florida Auditor General. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 1, these financial statements of the Sheriff are intended to present the financial position, the changes in financial position, budgetary comparisons, and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hernando County, Florida, that is attributable to the transactions of the Sheriff. They do not purport to, and do not, present fairly the financial position as a whole of Hernando County, Florida as of September 30, 2013, the changes in its financial position or budgetary comparisons, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's special purpose financial statements. The other financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the special purpose financial statements. The other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose financial statements or to the special purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the special purpose financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheriff's internal control over financial reporting and compliance.

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Restriction on Use

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

Purvis, Gray and Company, LLP

November 22, 2013
Sarasota, Florida

HERNANDO COUNTY, FLORIDA
SHERIFF
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>General</u>	<u>Federal Forfeitures</u>	<u>E-911</u>	<u>800 MHz</u>	<u>Inmate Welfare</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets							
Cash and Cash Equivalents	\$ 2,676,324	\$ 1,207,429	\$ 686,742	\$ 244,156	\$ 265,724	\$ 385,404	\$ 5,465,779
Accounts Receivable	0	0	0	0	52,314	1,227	53,541
Due from Other Funds	25,981	0	0	0	12,309	0	38,290
Due from Other Governments	25,112	0	245,357	32,349	0	25,717	328,535
Total Assets	<u>2,727,417</u>	<u>1,207,429</u>	<u>932,099</u>	<u>276,505</u>	<u>330,347</u>	<u>412,348</u>	<u>5,886,145</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	337,576	5,279	1,460	2,115	2,217	297	348,944
Accrued Wages and Benefits Payable	1,123,966	2,569	7,292	0	5,435	0	1,139,262
Due to Hernando County, Florida, Board of County Commissioners	1,265,875	0	0	0	0	0	1,265,875
Deposits	0	0	0	0	0	160	160
Deferred Revenue	0	0	123,133	0	0	0	123,133
Total Liabilities	<u>2,727,417</u>	<u>7,848</u>	<u>131,885</u>	<u>2,115</u>	<u>7,652</u>	<u>457</u>	<u>2,877,374</u>
Fund Balances							
Restricted for:							
Law Enforcement Activities	0	1,199,581	0	0	0	80,860	1,280,441
Communications	0	0	800,214	274,390	0	0	1,074,604
Education and Training	0	0	0	0	0	322,994	322,994
Inmate Benefits	0	0	0	0	322,695	0	322,695
Other	0	0	0	0	0	8,037	8,037
Total Fund Balances	<u>0</u>	<u>1,199,581</u>	<u>800,214</u>	<u>274,390</u>	<u>322,695</u>	<u>411,891</u>	<u>3,008,771</u>
Total Liabilities and Fund Balances	<u>\$ 2,727,417</u>	<u>\$ 1,207,429</u>	<u>\$ 932,099</u>	<u>\$ 276,505</u>	<u>\$ 330,347</u>	<u>\$ 412,348</u>	<u>\$ 5,886,145</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General	Federal Forfeitures	E-911	800 MHz	Inmate Welfare	Nonmajor Governmental Funds	Total
Revenues							
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 137,027	\$ 137,027
Charges for Services	1,394,940	0	791,523	121,874	404,566	625	2,713,528
Fines and Forfeitures	0	85,467	0	169,364	0	92,270	347,101
Interest Revenue	2,994	600	359	206	152	182	4,493
Miscellaneous	229,317	0	0	64,889	9,226	29,050	332,482
Total Revenues	1,627,251	86,067	791,882	356,333	413,944	259,154	3,534,631
Expenditures							
Public Safety:							
Personal Services	31,341,599	44,619	399,002	0	178,180	114,428	32,077,828
Operating Expenditures	5,910,227	123,044	257,204	216,066	209,462	73,249	6,789,252
Capital Outlay	784,830	19,389	8,625	0	83,810	23,244	919,898
Court Services:							
Personal Services	790,008	0	0	0	0	0	790,008
Operating Expenditures	244,236	0	0	0	0	0	244,236
Debt Service:							
Principal	0	0	182,257	0	0	0	182,257
Interest	0	0	15,326	0	0	0	15,326
(Total Expenditures)	(39,070,900)	(187,052)	(862,414)	(216,066)	(471,452)	(210,921)	(41,018,805)
(Deficiency) Excess of Revenues (Under) Over Expenditures	(37,443,649)	(100,985)	(70,532)	140,267	(57,508)	48,233	(37,484,174)
Other Financing Sources (Uses)							
Transfers in:							
Hernando County, Florida, Board of County Commissioners Appropriations	38,709,524	0	0	0	0	0	38,709,524
Transfers (out):							
Hernando County, Florida, Board of County Commissioners: Excess Fees Capital Improvement Projects	(1,265,875)	0	0	0	0	0	(1,265,875)
	0	0	0	(413,500)	0	0	(413,500)
Total Other Financing Sources (Uses)	37,443,649	0	0	(413,500)	0	0	37,030,149
Net Change in Fund Balance	0	(100,985)	(70,532)	(273,233)	(57,508)	48,233	(454,025)
Fund Balance, Beginning of Year	0	1,300,566	870,746	547,623	380,203	363,658	3,462,796
Fund Balance, End of Year	\$ 0	\$ 1,199,581	\$ 800,214	\$ 274,390	\$ 322,695	\$ 411,891	\$ 3,008,771

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 95,609	\$ 0	\$ 0	\$ 0
Charges for Services	1,305,647	1,305,647	1,394,940	89,293
Interest Revenue	10,000	10,000	2,994	(7,006)
Miscellaneous	76,200	76,200	229,317	153,117
Total Revenues	<u>1,487,456</u>	<u>1,391,847</u>	<u>1,627,251</u>	<u>235,404</u>
Expenditures				
Public Safety:				
Personal Services	33,248,530	31,480,799	31,341,599	139,200
Operating Expenditures	5,439,252	6,359,202	5,910,227	448,975
Capital Outlay	125,000	882,000	784,830	97,170
Court Services:				
Personal Services	808,033	808,033	790,008	18,025
Operating Expenditures	249,165	249,165	244,236	4,929
(Total Expenditures)	<u>(39,869,980)</u>	<u>(39,779,199)</u>	<u>(39,070,900)</u>	<u>708,299</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(38,382,524)</u>	<u>(38,387,352)</u>	<u>(37,443,649)</u>	<u>943,703</u>
Other Financing Sources (Uses)				
Transfers in:				
Hernando County, Florida, Board of County Commissioners Appropriations	38,709,524	38,709,524	38,709,524	0
Transfers (out):				
Hernando County, Florida, Board of County Commissioners: Excess Fees	(327,000)	(322,172)	(1,265,875)	(943,703)
Total Other Financing Sources (Uses)	<u>38,382,524</u>	<u>38,387,352</u>	<u>37,443,649</u>	<u>(943,703)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FEDERAL FORFEITURES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 0	\$ 0	\$ 85,467	\$ 85,467
Interest Revenue	0	0	600	600
Total Revenues	<u>0</u>	<u>0</u>	<u>86,067</u>	<u>86,067</u>
Expenditures				
Public Safety:				
Personal Services	0	44,900	44,619	281
Operating Expenditures	20,500	123,350	123,044	306
Capital Outlay	54,000	20,000	19,389	611
(Total Expenditures)	<u>(74,500)</u>	<u>(188,250)</u>	<u>(187,052)</u>	<u>1,198</u>
(Deficiency) of Revenues				
(Under) Expenditures	(74,500)	(188,250)	(100,985)	87,265
Other Financing (Uses) Sources				
Reserve for Contingencies	(1,226,066)	(1,112,316)	0	1,112,316
Net Change in Fund Balance	(1,300,566)	(1,300,566)	(100,985)	1,199,581
Fund Balance, Beginning of Year	<u>1,300,566</u>	<u>1,300,566</u>	<u>1,300,566</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,199,581</u>	<u>\$ 1,199,581</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - E-911 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 842,345	\$ 842,345	\$ 791,523	\$ (50,822)
Interest Revenue	0	0	359	359
Total Revenues	<u>842,345</u>	<u>842,345</u>	<u>791,882</u>	<u>(50,463)</u>
Expenditures				
Public Safety:				
Personal Services	402,857	402,857	399,002	3,855
Operating Expenditures	341,450	341,450	257,204	84,246
Capital Outlay	410,000	410,000	8,625	401,375
Debt Service:				
Principal	170,564	170,564	182,257	(11,693)
Interest	29,436	29,436	15,326	14,110
(Total Expenditures)	<u>(1,354,307)</u>	<u>(1,354,307)</u>	<u>(862,414)</u>	<u>491,893</u>
(Deficiency) of Revenues (Under) Expenditures	(511,962)	(511,962)	(70,532)	441,430
Other Financing (Uses) Sources				
Reserve for Contingencies	(358,784)	(358,784)	0	358,784
Net Change in Fund Balance	(870,746)	(870,746)	(70,532)	800,214
Fund Balance, Beginning of Year	<u>870,746</u>	<u>870,746</u>	<u>870,746</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 800,214</u>	<u>\$ 800,214</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 800 MHz FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 120,000	\$ 120,000	\$ 121,874	\$ 1,874
Fines and Forfeitures	150,000	150,000	169,364	19,364
Interest Revenue	0	0	206	206
Miscellaneous	56,424	56,424	64,889	8,465
Total Revenues	<u>326,424</u>	<u>326,424</u>	<u>356,333</u>	<u>29,909</u>
Expenditures				
Public Safety:				
Operating Expenditures	363,200	230,525	216,066	14,459
Capital Outlay	250,000	0	0	0
(Total Expenditures)	<u>(613,200)</u>	<u>(230,525)</u>	<u>(216,066)</u>	<u>14,459</u>
Excess of Revenues Over Expenditures	<u>(286,776)</u>	<u>95,899</u>	<u>140,267</u>	<u>44,368</u>
Other Financing (Uses) Sources				
Transfers (out):				
Hernando County, Florida, Board of County Commissioners:				
Capital Improvement Projects	0	(413,500)	(413,500)	0
Reserve for Contingencies	(260,847)	(230,022)	0	230,022
Total Other Financing (Uses) Sources	<u>(260,847)</u>	<u>(643,522)</u>	<u>(413,500)</u>	<u>230,022</u>
Net Change in Fund Balance	(547,623)	(547,623)	(273,233)	274,390
Fund Balance, Beginning of Year	<u>547,623</u>	<u>547,623</u>	<u>547,623</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 274,390</u>	<u>\$ 274,390</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - INMATE WELFARE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 360,000	\$ 360,000	\$ 404,566	\$ 44,566
Interest Revenue	0	0	152	152
Miscellaneous	6,000	6,000	9,226	3,226
Total Revenues	<u>366,000</u>	<u>366,000</u>	<u>413,944</u>	<u>47,944</u>
Expenditures				
Public Safety:				
Personal Services	180,000	180,000	178,180	1,820
Operating Expenditures	201,000	201,000	209,462	(8,462)
Capital Outlay	100,000	100,000	83,810	16,190
(Total Expenditures)	<u>(481,000)</u>	<u>(481,000)</u>	<u>(471,452)</u>	<u>9,548</u>
(Deficiency) of Revenues				
(Under) Expenditures	(115,000)	(115,000)	(57,508)	57,492
Other Financing (Uses) Sources				
Reserve for Contingencies	<u>(265,203)</u>	<u>(265,203)</u>	<u>0</u>	<u>265,203</u>
Net Change in Fund Balance	(380,203)	(380,203)	(57,508)	322,695
Fund Balance, Beginning of Year	<u>380,203</u>	<u>380,203</u>	<u>380,203</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 322,695</u>	<u>\$ 322,695</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE - INTERNAL SERVICE FUND
SEPTEMBER 30, 2013

	Internal Service
Assets	
Cash with Fiscal Agent	\$ 3,693,896
Accounts Receivable	46,680
Total Assets	3,740,576
 Liabilities	
Accounts Payable	231,776
Liability for Unpaid Claims	234,977
Unearned Revenue	326,478
Total Liabilities	793,231
 Net Position	
Unrestricted	2,947,345
Total Net Position	\$ 2,947,345

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE - INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Internal Service
Operating Revenues	
Interfund Charges	\$ 3,780,614
Premiums - Employees	627,444
Premiums - Retirees	320,224
Miscellaneous	41,680
Total Operating Revenues	4,769,962
 Operating Expenses	
Claims	2,409,584
Professional Services	462,009
Insurance	393,286
(Total Operating Expenses)	(3,264,879)
 Operating Income	 1,505,083
 Nonoperating Revenues	
Interest	464
 Change in Net Position	 1,505,547
 Net Position, Beginning of Year	 1,441,798
 Net Position, End of Year	 \$ 2,947,345

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Internal Service
Cash Flows From Operating Activities	
Cash Received from Interfund Charges	\$ 3,777,154
Cash Received from Employees	627,444
Cash Received from Retirees	320,224
Other Cash Receipts	41,680
Payments to Suppliers	(855,295)
Claims Paid	(3,090,349)
Net Cash Provided by Operating Activities	820,858
 Cash Flows From Investing Activities	
Interest Received	464
 Net Increase in Cash	821,322
 Cash, Beginning of Year	2,872,574
 Cash, End of Year	\$ 3,693,896
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 1,505,083
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(705)
(Decrease) in Accounts Payable	(247,728)
(Decrease) in Liability for Unpaid Claims	(432,332)
(Decrease) in Unearned Revenue	(3,460)
Total Adjustments	(684,225)
 Net Cash Provided by Operating Activities	\$ 820,858

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2013

Assets

Cash and Cash Equivalents	\$ 109,328
Total Assets	<u>109,328</u>

Liabilities

Accounts Payable	43,241
Due to Other Funds	38,290
Due to Other Governments	11,340
Deposits	16,457
Total Liabilities	<u>\$ 109,328</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Hernando County, Florida, (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and managed by an appointed County Administrator. The Hernando County, Florida, Sheriff (the Sheriff), is an elected constitutional officer as provided for by the Constitution of the State of Florida. Pursuant to Chapter 129, Florida Statutes, the Sheriff's budget is submitted to the Board for approval.

The Sheriff is the chief law enforcement officer of the County. Funding for the Sheriff's operations comes primarily from annual appropriations from the Board and all unexpended proceeds must be returned to the Board at year-end.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Sheriff's office, but are not a complete presentation of the County as a whole. The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(3), *Rules of the Auditor General—Local Governmental Entity Audits*. For financial reporting purposes, the Sheriff is deemed to be part of the primary government of the County and, as such, is included in the County's Comprehensive Annual Financial Report.

Section 10.556(4), *Rules of the Auditor General for Local Governmental Entity Audits* only requires the Sheriff to present fund financial statements. Accordingly, due to the omission of entity-wide, full-accrual financial statements and related disclosures, including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Sheriff as of September 30, 2013, and the changes in its financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. generally accepted accounting principles (GAAP).

The financial transactions of the Sheriff are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. GAAP sets forth minimum criteria (percentage of total assets, liabilities, revenues, or expenditures) for the determination of major funds. Each major fund is reported in a separate column.

The Sheriff reports the following major governmental funds:

- **General Fund**—The General Fund is used to account for the general operations of the Sheriff and includes all transactions which are not accounted for in another fund.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

- **Federal Forfeitures Fund**—This fund is used to account for forfeited property passed down from the U.S. Department of Justice or by the U.S. Immigration and Customs Enforcement. Utilization of revenue can include enhancements to law enforcement delivery and operations.
- **E-911 Fund**—This fund is used to account for the proceeds of telephone charges collected for the installation and operation of an Emergency 911 System.
- **800 MHz Fund**—This fund derives its resources from lease payments for space leased on the County's primary tower site, fees assessed to each radio user department for maintenance contract costs, and a \$12.50 fee included in each fine paid for a traffic citation. The 800 MHz system is maintained to ensure continuous and optimum radio communications for all public safety and County radio users.
- **Inmate Welfare Fund**—This fund derives its resources from inmate telephone and commissary commissions. This fund has committee oversight and all approved expenditures must be for the benefit of the inmate. Florida Statute 945.215, Inmate Welfare and Employee Benefit Trust Funds, governs the use of proceeds and expenditures for this fund.

The Sheriff also reports the following nonmajor special revenue funds:

- Law Enforcement Educational Fund
- Infant and Toddler Car Seat Program
- Grants and Contributions Fund

The Sheriff reports the following other fund types:

- **Proprietary Fund Type—Internal Service Fund**
This fund is used to account for medical insurance benefits provided to the employees by the Sheriff. Its funding is based upon an annual actuarial study of expected benefit payouts.
- **Fiduciary Fund Type—Agency Funds**
These funds are used to account for assets held by the Sheriff in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Measurement Focus and Basis of Accounting

Governmental funds are accounted for using the flow of current financial resources measurement focus. Only current assets and current liabilities, generally, are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations or have a measurement focus.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

The modified accrual basis of accounting is used by both governmental and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available to finance liabilities of the current fiscal year). For this purpose, the Sheriff considers revenues to be available if they are collected within 60 days after year-end. Grants must also meet eligibility requirements to be accrued.

For governmental funds, expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures when paid. Substantially all of the Sheriff's operating budget funding is appropriated by the Board. These resources are reflected as other financing sources at the time of receipt. Interest and other revenue are recognized as they are earned and become measurable and available to pay liabilities of the current period.

The proprietary fund type - internal service fund accounts for medical insurance coverage for the Sheriff's employees. Proprietary fund types use the accrual basis of accounting, where revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of related cash flows. In addition, proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items.

The focus on fiduciary type fund financial statements is by fund-type, not major fund. The Sheriff only has one fiduciary fund-type, the agency fund-type. Accordingly, there is only one column in the fiduciary fund financial statement.

Excess Fees

Florida Statutes provide that the amount by which revenues and transfers exceed annual expenditures be remitted to the Board within one month following the fiscal year for which the funding was provided or following the fiscal year during which other revenue was recognized. This requirement is reflected in the Sheriff's General Fund where the amount of this distribution is recorded as a liability and as another financing use.

Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of three months or less.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Deferred/Unearned Revenue

Deferred revenue in governmental funds represents revenue earned, but not available (received more than 60 days after year-end). Unearned revenue in proprietary fund types represents revenues attributable to future periods.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

All full-time employees of the Sheriff are entitled to accrue unused compensatory time, annual vacation, and sick leave. The employees are generally allowed to accumulate compensatory and annual leave up to a maximum of 500 hours and receive pay for those hours at termination or retirement. Effective October 1, 2009, for terminations in good standing, the employee is paid for 25% of accumulated sick leave up to a total of 500 hours. Upon retirement, the employee is entitled to an additional percentage up to a total of 100% of total accumulated hours if the employee had ten or more years of service as of October 1, 2009, or 50% of up to 500 hours if the employee had less than ten years of service at October 1, 2009. For all payments of sick leave, the employee is paid at their pay rate effective at termination or retirement.

Vacation and sick leave payments are included in operating costs when the payments are made to the employees. The Sheriff does not, nor is he legally required to accumulate financial resources for these obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds but rather is reported in the basic financial statements of the County.

Fund Balances

The Sheriff implemented the provisions of GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) in 2011, as required. The purpose of GASB 54 was to improve the consistency and usefulness of fund balance information to the financial statement user. The statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components—nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash; or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.
- **Restricted**—This component of fund balances consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments); or (b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., policy) of the organization's governing authority. By statute, the Sheriff himself is the governing authority. These committed amounts cannot be used for any other purpose unless the Sheriff removes or changes the specified use by taking the same type of action (e.g., policy) he employed to constrain those amounts.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The Sheriff has not delegated the responsibility to assign fund balances to any individual or body.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Fund Balances (Concluded)

- **Unassigned**—This classification is used for: (a) negative unrestricted fund balances in any governmental fund; or (b) fund balances within the General Fund that are not restricted, committed, or assigned.

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

Use of Estimates

The preparation of financial statements, in accordance with the basis of accounting used in these financial statements, requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2 - Budgetary Process

Florida Statutes, Sections 30.49, 129.021 and 129.03 govern the preparation, adoption, and administration of the Sheriff's annual budget. The Sheriff prepares individual budgets for the General Fund and the E-911 and 800 MHz Special Revenue Funds, and submits them to the Board for approval. Any budgets that are not subject to the approval of the Board of County Commissioners shall follow the same procedures as those approved by the Board with the exception that the Sheriff is the approver rather than the Board.

The budgets are prepared on a basis consistent with U.S. Generally Accepted Accounting Principles and serve as the legal authorization for expenditures. Amendments increasing total fund expenditures must be approved by the Sheriff and/or Board. Budgetary changes between or among expenditures within a fund may be made at the discretion of the Sheriff.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable to the fiscal year and approved by the Board within 60 days after year-end.

Note 3 - Cash and Investments

At September 30, 2013, the carrying value of the Sheriff's cash and cash equivalents was as follows:

	Carrying Value	Credit Rating
Cash on Hand	\$ 16,100	N/A
Demand Deposits	5,885,703	N/A
Total Cash and Cash Equivalents	\$ 5,901,803	

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 3 - Cash and Investments (Concluded)

Such amounts are reported as \$5,465,779, \$326,696, and \$109,328 in the governmental, internal service, and agency funds, respectively. In addition, there is cash of \$3,367,200 held by the claims administrator reported in the internal service fund at year-end.

The Sheriff's bank deposits are held in qualified public depositories (QPDs) pursuant to Chapter 280, Florida Statutes. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

Authorized Investments

The Sheriff has not adopted an investment policy and so, by statute, follows the state's guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including County officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Florida Statute 163.01.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories.
- d. Direct obligations of the United States Treasury.

The Sheriff does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Sheriff had no investments at year-end or during the year.

Note 4 - Interfund Balances

Interfund balances at September 30, 2013, consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 25,981	\$ 0
Inmate Welfare Fund	12,309	0
Agency Fund	0	38,290
Total Due to/Due from Other Funds	\$ 38,290	\$ 38,290

The receivables represent primarily fees collected in an agency fund for other funds. These fees are from jail inmates for subsistence fees, booking fees, medical fees, and commissions on commissary sales.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 5 - Capital Assets

Pursuant to Florida Statutes, the Sheriff can own tangible capital assets, and the Sheriff maintains custody and recordkeeping responsibility for these assets. However, office space and facilities used in the Sheriff's operations are provided at no cost by the Board.

Capital assets paid for by the Sheriff are recorded as expenditures in the governmental funds of the Sheriff but are capitalized in the basic financial statements of the County. The capitalization threshold is \$1,000. Donated capital assets are recorded at their estimated fair value on the date received. Effective October 1, 2010, the Sheriff is responsible for recording all grant-related assets regardless of whether the grant origin was Hernando County or the Sheriff. Depreciation is recorded at the County level. Most of the capital assets listed below are being depreciated over five years.

Capital asset activity for the tangible property over which the Sheriff has custodial and recordkeeping responsibility, for the year ended September 30, 2013, was as follows:

	<u>October 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2013</u>
Automobiles and Other Vehicles	\$ 8,442,773	\$ 637,708	\$ (407,853)	\$ 8,672,628
Furniture and Equipment	<u>8,655,780</u>	<u>1,303,607</u>	<u>(377,594)</u>	<u>9,581,793</u>
Total at Cost	17,098,553	1,941,315	(785,447)	18,254,421
(Less Accumulated Depreciation)	<u>(12,688,783)</u>	<u>(1,621,608)</u>	<u>744,588</u>	<u>(13,565,803)</u>
Book Value	<u>\$ 4,409,770</u>	<u>\$ 319,707</u>	<u>\$ (40,859)</u>	<u>\$ 4,688,618</u>

Note 6 - Long-term Liability

The following is a summary of changes in general long-term liabilities, which are reported in the basic financial statements of the County:

	<u>Balance October 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2013</u>	<u>Due Within One Year</u>
Installment Purchase; Interest at 6.66%, Maturity in April 2014, Payable in 24 Equal Quarterly Installments, Secured by Capital Assets	\$ 327,105	\$ 0	\$ (182,257)	\$ 144,848	\$ 144,848
Accrued Compensated Absences	<u>3,305,443</u>	<u>2,711,998</u>	<u>(2,607,647)</u>	<u>3,409,794</u>	<u>2,399,224</u>
Total	<u>\$ 3,632,548</u>	<u>\$ 2,711,998</u>	<u>\$ (2,789,904)</u>	<u>\$ 3,554,642</u>	<u>\$ 2,544,072</u>

Following is a summary of remaining payments on the installment purchase:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 144,848</u>	<u>\$ 4,869</u>	<u>\$ 149,717</u>

**HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)**

Note 6 - Long-term Liability (Concluded)

The long-term liabilities for compensated absences are not reported in the financial statements of the Sheriff since they have not matured.

Note 7 - Detention Operations

For twenty-two years, the Hernando County jail was operated by a private corporation. Effective August 27, 2010, the Sheriff took over the detention operations based on an Interlocal Agreement between the Sheriff and the Board. The initial term of the agreement was through September 30, 2013, with an automatic renewal period of an additional three years.

Note 8 - General Fund Expenditures

General Fund Revenues and Expenditures for the year ended September 30, 2013, were as follows:

	<u>Total</u>	<u>Law Enforcement</u>	<u>Detention</u>	<u>Emergency Management</u>	<u>Courthouse</u>
Revenues					
Dispatching Fees	\$ 453,326	\$ 453,326	\$ 0	\$ 0	\$ 0
School Resource Officers	470,408	470,408	0	0	0
School Crossing Guards	113,140	113,140	0	0	0
Inmate Booking	54,420	0	54,420	0	0
Inmate Medical	34,709	0	34,709	0	0
Inmate Subsistence	181,533	0	181,533	0	0
Inmate Public Works	58,004	0	58,004	0	0
Inmate Social Security	<u>29,400</u>	<u>0</u>	<u>29,400</u>	<u>0</u>	<u>0</u>
Charges for Services	<u>1,394,940</u>	<u>1,036,874</u>	<u>358,066</u>	<u>0</u>	<u>0</u>
Interest Income	2,994	2,994	0	0	0
Miscellaneous	<u>229,317</u>	<u>229,317</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 1,627,251</u>	<u>\$ 1,269,185</u>	<u>\$ 358,066</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures					
Personal Services	\$32,131,607	\$ 22,830,958	\$ 8,267,193	\$ 243,448	\$ 790,008
Operating Expenditures	6,154,463	3,758,335	2,089,981	61,911	244,236
Capital Outlay	<u>784,830</u>	<u>670,069</u>	<u>111,307</u>	<u>3,454</u>	<u>0</u>
Total Expenditures	<u>\$39,070,900</u>	<u>\$ 27,259,362</u>	<u>\$ 10,468,481</u>	<u>\$ 308,813</u>	<u>\$ 1,034,244</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 9 - Employee Retirement Plan

Membership in the Florida Retirement System (FRS) is required for all full-time and part-time employees in regularly established positions for state agencies, county governments, district school boards, state universities and state community colleges, or cities, independent special districts, metropolitan planning districts, and public charter schools that make an irrevocable election to participate. Certain members, including elected officials and local government senior managers, may elect to not participate in the system. The FRS Pension Plan is a cost-sharing, multiple employer, defined benefit public retirement system administered by the State of Florida, Division of Retirement. The FRS also offers eligible employees participation in an alternative defined contribution plan (the Investment Plan).

During its 2011 regular session, the State Legislature adopted legislation that made significant changes to the FRS with respect to employee contributions, employer contributions, and other items. These changes have been incorporated into the remainder of this Note.

For employees participating in the Pension Plan, the normal retirement date depends on the employee's FRS enrollment date. For employees initially enrolled before July 1, 2011, normal retirement is reached at or after age 62 (age 55 for employees in the special risk category) with six years of credited service, or with 30 years of service (25 for employees in the special risk category) regardless of age. For employees initially enrolled on or after July 1, 2011, normal retirement is reached at or after age 65 (age 60 for employees in the special risk category) with eight years of credited service, or with 33 years of service (30 for employees in the special risk category) regardless of age.

The normal retirement benefit is payable monthly for life, at one-twelfth the yearly benefit. The yearly benefit depends on the membership class and payment option chosen. Under option one, a benefit for the retiree's life only, the yearly benefit at normal retirement is equal to 1.6% for regular employees, 2% for senior management, and 3% for special risk and county elected officials, for each year of credited service times their average final compensation. Benefits are increased annually by a Cost of Living Adjustment (COLA), except that there is no COLA on service earned on or after July 1, 2011. Average final compensation is the employee's average of the five highest years of salary earned during credited service (eight if the employee is initially enrolled on or after July 1, 2011).

Vesting in the Pension Plan occurs with six years of creditable service (eight years if initially enrolled on or after July 1, 2011). Vested employees may retire early and receive retirement benefits that are reduced 5% for each year the actual retirement date precedes the normal retirement date. Employees participating in the Investment Plan are vested after one year of service with no age requirement. The System also provides death and disability benefits (including in-line-of-duty disability). Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S-4, *Florida Administrative Code*.

The Deferred Retirement Option Program (DROP) is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS trust fund (increased by a COLA each July, but only through July 2011) and earn monthly interest equivalent to an annual rate of 6.50% (1.30% for

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 9 - Retirement Plan (Concluded)

employees entering DROP on or after July 1, 2011). When the DROP period ends, the DROP account is paid out as a lump sum payment, a rollover, or a combination, and monthly benefits are subsequently paid to the member in the amount as calculated upon entry into DROP, plus COLA's for intervening years, where applicable. In most cases, the DROP participant must cease employment when the DROP period ends.

Each year, the Florida Legislature establishes one uniform contribution rate system, which is applicable to both the Pension Plan and the Investment Plan. Prior to July 1, 2011, members were not required to make employee contributions; the employers paid all required contributions. Effective July 1, 2011, all FRS Investment Plan and Pension Plan members (except those in the DROP) are required to contribute 3% of their gross compensation on a pre-tax basis. Actuarial information and related disclosures attributable to the Sheriff's employees are not determinable. The fiscal year-end June 30, 2014 and 2013 contribution rates by member class are as follows: regular employees (6.95% and 5.18%), special-risk (19.06% and 14.90%), DROP participants (12.84% and 5.44%), senior management (18.31% and 6.30%), and elected officials (33.03% and 10.23%). The Sheriff's contributions to the Plan for the years ended September 30, 2013, 2012, and 2011 (employer portion) were \$2,883,098, \$2,615,030, and \$3,914,694, respectively, equal to the actuarially determined contribution requirements for each fiscal year.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

Note 10 - Other Postemployment Benefits

The Sheriff offers postemployment health care benefits and life insurance to all retired former employees of the Sheriff's Office and their eligible dependents. Participating retirees are required to reimburse the Sheriff for the entire premium cost. These retirees are receiving an "implicit subsidy" because the premium is a group rate which includes active, lower cost employees. The implicit subsidy has a cost which under GAAP is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Sheriff's Office. Accordingly, these calculations and disclosures can be found in the County-wide financial report.

In accordance with Florida Statutes 112.19(1)(g), if a law enforcement officer is killed as a result of an act of violence inflicted by another person while the officer is engaged in the performance of law enforcement duties, the entire premium of the health insurance plan for the officer's surviving spouse, until remarried, and dependent children, is paid by the Sheriff. During the year ended September 30, 2013, \$25,097 was paid on behalf of the survivors who qualified.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 11 - Risk Management

The Sheriff participates in the insurance programs of the Board including general liability and auto insurance risks. These risk management activities are handled through internal service funds maintained by the Board. All liabilities associated with these self-insured risks are reported in the basic financial statements of the Board. These funds account for the risk financing activities of the County, but do not constitute a transfer of risk from the County. The Sheriff paid premiums of \$411,793 to the Board for the year ended September 30, 2013.

Additionally, the Sheriff participates in the Florida Sheriff's Association Self-Insurance Fund to insure against workers' compensation and general liabilities claims. Except as disclosed in the next paragraph, there have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for any of the last three years.

Effective October 1, 2011, the Sheriff is partially self-insured for employee medical coverage (see next Note). Prior to that date, the Sheriff carried commercial insurance for its group health coverage.

Note 12 - Self-Insurance Internal Service Fund

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

Changes in claims liability amounts for the years ended September 30, 2013 and 2012, were as follows:

	<u>2013</u>	<u>2012</u>
Unpaid Claims, Beginning of Year	\$ 667,309	\$ 0
Incurred Claims	1,977,252	3,006,605
Claim Payments	<u>(2,409,584)</u>	<u>(2,339,296)</u>
Unpaid Claims, End of Year	<u>\$ 234,977</u>	<u>\$ 667,309</u>

Note 13 - 800 MHz Fund

In 2013, the Board approved a county-wide radio system P25 upgrade. In conjunction with that project, the Sheriff transferred \$413,500 from the 800 MHz fund to the Board to assist with the funding of that project. Of that amount, \$250,000 was from the fund's capital outlay budget, and \$163,500 was freed up from the radio maintenance budget line, as the result of a new contract with Motorola. An additional \$163,500 will be transferred to the Board in 2014.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Concluded)

Note 14 - Leases

Revenue of the 800 MHz Fund includes lease payments received for space leased on the County's primary tower site. The lease began December 16, 1997, between the Board and Cingular (Tenant). The second amendment, effective October 1, 2007, amended the lease term to include a new initial term of sixty months, plus up to five additional sixty month terms, built-in rate increases at the beginning of each renewal term. The Board has informally assigned the rights to the lease revenue to the Sheriff to operate the system. The Tenant pays \$5,407 per month. The amount of the lease revenue for the year ended September 30, 2013, was \$64,889.

As of September 30, 2013, future minimum rentals to be received are as follows:

Year	Amount
2014	\$ 64,889
2015	64,889
2016	64,889
2017	64,889
2018	74,622
2019-2023	384,303
2024-2028	441,948
2029-2033	508,240
2034-2037	453,960
Total	\$ 2,122,629

Note 15 - Claims and Contingencies

Litigation

The Sheriff is involved as defendant or plaintiff in certain litigation and claims arising from the ordinary course of operations. Any judgments against the Sheriff in excess of insurance limits would be settled by the Board. In the opinion of the Sheriff and legal counsel, the range of potential recoveries or liabilities will not materially affect the financial position of the Sheriff.

Federal and State Grants

Grant funds received by the Sheriff are subject to audit by grantor agencies. Audits of these grants may result in the disallowed costs, which may constitute a liability of the Sheriff. In the opinion of management disallowed costs, if any, would be insignificant to the financial position and operations of the Sheriff.

OTHER FINANCIAL INFORMATION

HERNANDO COUNTY, FLORIDA
SHERIFF
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013

Special revenue funds are used to account for the proceeds of special revenue sources that are legally restricted to specified purposes. The Sheriff has the following nonmajor special revenue funds:

- **Law Enforcement Education Fund (L.E.E.)**—This fund derives its resources from court cost assessments pursuant to Sections 938.15 and 318.18 of the Florida Statutes. The assessments are collected by the Clerk of the Circuit Court and remitted to the Sheriff monthly. Use of the funds received is restricted to criminal justice education and training in programs approved by the Florida Police Training and Standards Commission.
- **Child Saver Program Fund**—This fund derives its resources from funds received for the rental of infant and toddler car seats. The nonrefundable service fees charged are to be used for the maintenance and repair of returned car seats and to assist in the purchase of additional seats to expand the program as the population of the County grows and there is additional demand for car seats.
- **Grants and Contributions Fund**—This newly created fund derives its resources from grants and donations. Each grant and donation will be separately accounted for within the fund, to assure proper accounting in accordance with their agreement. During fiscal year 2012, only donations were accounted for in this fund, with grants accounted for within the General Fund. In fiscal year 2013, both donations and grants will be totally accounted for within the Grants and Contributions Fund.

**HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Law Enforcement Education	Child Saver Program	Grants and Contributions	
Assets				
Cash and Cash Equivalents	\$ 315,914	\$ 8,197	\$ 61,293	\$ 385,404
Accounts Receivable	0	0	1,227	1,227
Due from Other Governments	7,080	0	18,637	25,717
Total Assets	<u>322,994</u>	<u>8,197</u>	<u>81,157</u>	<u>412,348</u>
Liabilities				
Accounts Payable	0	0	297	297
Deposits	0	160	0	160
Total Liabilities	<u>0</u>	<u>160</u>	<u>297</u>	<u>457</u>
Fund Balances				
Restricted for:				
Law Enforcement Activities	0	0	80,860	80,860
Education and Training	322,994	0	0	322,994
Other	0	8,037	0	8,037
Total Fund Balances	<u>322,994</u>	<u>8,037</u>	<u>80,860</u>	<u>411,891</u>
Total Liabilities and Fund Balances	<u>\$ 322,994</u>	<u>\$ 8,197</u>	<u>\$ 81,157</u>	<u>\$ 412,348</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Law Enforcement Education	Child Saver Program	Grants and Contributions	
Revenues				
Intergovernmental	\$ 0	\$ 0	\$ 137,027	\$ 137,027
Charges for Services	0	625	0	625
Fines and Forfeitures	92,270	0	0	92,270
Interest Revenue	139	0	43	182
Miscellaneous	0	0	29,050	29,050
Total Revenues	92,409	625	166,120	259,154
Expenditures				
Public Safety:				
Personal Services	0	0	114,428	114,428
Operating Expenditures	17,169	0	56,080	73,249
Capital Outlay	0	0	23,244	23,244
(Total Expenditures)	(17,169)	0	(193,752)	(210,921)
Net Change in Fund Balance	75,240	625	(27,632)	48,233
Fund Balances, Beginning of Year	247,754	7,412	108,492	363,658
Fund Balances, End of Year	\$ 322,994	\$ 8,037	\$ 80,860	\$ 411,891

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LAW ENFORCEMENT EDUCATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$ 80,000	\$ 80,000	\$ 92,270	\$ 12,270
Interest Revenue	150	150	139	(11)
Total Revenues	<u>80,150</u>	<u>80,150</u>	<u>92,409</u>	<u>12,259</u>
Expenditures				
Public Safety:				
Operating Expenditures	29,500	29,500	17,169	12,331
(Total Expenditures)	<u>(29,500)</u>	<u>(29,500)</u>	<u>(17,169)</u>	<u>12,331</u>
Excess of Revenues Over Expenditures	50,650	50,650	75,240	24,590
Other Financing (Uses) Sources				
Reserve for Contingencies	(298,404)	(298,404)	0	298,404
Net Change in Fund Balance	(247,754)	(247,754)	75,240	322,994
Fund Balance, Beginning of Year	<u>247,754</u>	<u>247,754</u>	<u>247,754</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 322,994</u>	<u>\$ 322,994</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS AND CONTRIBUTIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 0	\$ 176,589	\$ 137,027	\$ (39,562)
Interest Revenue	0	0	43	43
Miscellaneous	500	28,500	29,050	550
Total Revenues	<u>500</u>	<u>205,089</u>	<u>166,120</u>	<u>(38,969)</u>
Expenditures				
Public Safety:				
Personal Services	0	114,428	114,428	0
Operating Expenditures	76,550	114,563	56,080	58,483
Capital Outlay	5,545	80,045	23,244	56,801
(Total Expenditures)	<u>(82,095)</u>	<u>(309,036)</u>	<u>(193,752)</u>	<u>115,284</u>
(Deficiency) of Revenues				
(Under) Expenditures	(81,595)	(103,947)	(27,632)	76,315
Other Financing (Uses) Sources				
Reserve for Contingencies	<u>(26,897)</u>	<u>(4,545)</u>	<u>0</u>	<u>4,545</u>
Net Change in Fund Balance	(108,492)	(108,492)	(27,632)	80,860
Fund Balance, Beginning of Year	<u>108,492</u>	<u>108,492</u>	<u>108,492</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,860</u>	<u>\$ 80,860</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
AGENCY FUNDS
SEPTEMBER 30, 2013

Agency funds are used to account for assets held by the Sheriff in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Sheriff has the following agency funds:

- **Civil Trust Fund**—This fund is used to account for fees received by the Sheriff for serving documents (civil process) pursuant to Florida Statute 30.231(5). The funds received are returned to the Board of County Commissioners on a monthly basis. This fund is also used for cost deposits provided by plaintiffs or their attorneys in advance, to pay for the Sheriff's statutory fees and costs in executing Sheriff's Levies and Writs of Attachment.

- **Inmate Trust Fund**—This fund accounts for inmate personal accounts and the proceeds from certain inmate programs.

HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2013

	Civil Trust Fund	Inmate Trust Fund	Total Agency Funds
Assets			
Cash and Cash Equivalents	\$ 12,538	\$ 96,790	\$ 109,328
Total Assets	<u>12,538</u>	<u>96,790</u>	<u>109,328</u>
Liabilities			
Accounts Payable	0	43,241	43,241
Due to Other Funds	0	38,290	38,290
Due to Other Governments	11,340	0	11,340
Deposits	1,198	15,259	16,457
Total Liabilities	<u>\$ 12,538</u>	<u>\$ 96,790</u>	<u>\$ 109,328</u>

OTHER REPORTS

INDEPENDENT AUDITORS' 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*

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the special purpose financial statements of each major fund and the aggregate remaining fund information of the Hernando County, Florida, Sheriff (the Sheriff), as of and for the year ended September 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2013, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Certified Public Accountants

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Honorable Al Nienhuis
Sheriff
Hernando County, Florida

**INDEPENDENT AUDITORS' 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*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sheriff's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheriff's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

November 22, 2013
Sarasota, Florida

MANAGEMENT LETTER

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

We have audited the special purpose financial statements of each major fund and the aggregate remaining fund information of the Hernando County, Florida, Sheriff (the Sheriff), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated November 22, 2013, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (for the County as a whole) the requirements of the Federal and Florida *Single Audit* Acts. We have issued our report on internal control over financial reporting and on compliance and other matters dated November 22, 2013. We will also issue applicable reports and schedules for the Single Audits to Hernando County, Florida (the County) as a whole. Disclosures in those reports and schedules, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of 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' reports or schedules:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.
- 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 Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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Honorable Al Nienhuis
Sheriff
Hernando County, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)(5), *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 the management letter, unless disclosed in the notes to the financial statements. In that regard, the Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Sheriff does not have any component units.

Our management letter is intended solely for the information and use of the Sheriff, its management, the Board of County Commissioners of Hernando County, Florida, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

November 22, 2013
Sarasota, Florida