

**HERNANDO COUNTY, FLORIDA
SHERIFF**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2015

**HERNANDO COUNTY, FLORIDA
SHERIFF**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2015

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**HERNANDO COUNTY, FLORIDA
SHERIFF**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2015

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INDEPENDENT AUDITORS' REPORT

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

Report on the Financial Statements

We have audited the accompanying 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, 2015, and 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 accounting principles generally accepted in the United States of America; this includes 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.

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, 2015, and the respective changes in financial position, budgetary comparisons, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
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
(Concluded)

Emphasis of Matter – Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the *Rules of the Auditor General* of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position, changes in financial position, budgetary comparisons, and cash flows of each major fund and the aggregate remaining fund information, where applicable, only for that portion of the major funds and the aggregate remaining fund information of Hernando County, Florida, that is attributable to 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, 2015, and the changes in its financial position, budgetary comparisons, or 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.

Emphasis of Matter – GASB 68

As discussed in Note 1 to the financial statements, in 2015, the Sheriff adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. While new disclosures have been added to the notes to financial statements, certain required disclosures under this statement were unavailable. 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 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 January 8, 2016, 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.


January 8, 2016
Sarasota, Florida

HERNANDO COUNTY, FLORIDA
SHERIFF
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General	Federal Forfeitures	E-911	800 MHz	Inmate Welfare	Nonmajor Governmental Funds	Total
Assets							
Cash and Cash							
Equivalents	\$ 3,208,476	\$ 808,113	\$ 578,052	\$ 271,965	\$ 309,204	\$ 559,194	\$ 5,735,004
Accounts Receivable	0	0	0	0	19,808	0	19,808
Due from Other Funds	21,257	0	0	0	9,419	0	30,676
Due from Other							
Governments	96,364	0	266,247	16,002	1,797	19,972	400,382
Total Assets	3,326,097	808,113	844,299	287,967	340,228	579,166	6,185,870
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable	602,081	142	14,075	3,694	11,867	1,973	633,832
Accrued Wages and							
Benefits Payable	1,418,764	2,949	7,234	0	6,580	3,270	1,438,797
Due to Hernando							
County, Florida,							
Board of County							
Commissioners	1,304,482	0	0	0	0	0	1,304,482
Due to Other							
Governments	770	0	0	0	0	0	770
Deposits	0	0	0	0	0	200	200
Unearned Revenue	0	0	0	5,407	0	0	5,407
Total Liabilities	3,326,097	3,091	21,309	9,101	18,447	5,443	3,383,488
Deferred Inflows							
Unavailable Revenues	0	0	128,592	0	0	0	128,592
Fund Balances							
Restricted for:							
Law Enforcement							
Activities	0	805,022	0	0	0	123,186	928,208
Communications	0	0	694,398	278,866	0	0	973,264
Education and							
Training	0	0	0	0	0	446,222	446,222
Inmate Benefits	0	0	0	0	321,781	0	321,781
Other	0	0	0	0	0	4,315	4,315
Total Fund Balances	0	805,022	694,398	278,866	321,781	573,723	2,673,790
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 3,326,097	\$ 808,113	\$ 844,299	\$ 287,967	\$ 340,228	\$ 579,166	\$ 6,185,870

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General	Federal Forfeitures	E-911	800 MHz	Inmate Welfare	Nonmajor Governmental Funds	Total
Revenues							
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 196,790	\$ 196,790
Charges for Services	1,739,214	0	757,924	158,520	339,929	560	2,996,147
Fines and Forfeitures	0	12,885	0	167,442	0	82,062	262,389
Interest Revenue	18,234	276	1,839	73	796	890	22,108
Miscellaneous	79,204	0	0	64,889	3,032	26,551	173,676
Total Revenues	1,836,652	13,161	759,763	390,924	343,757	306,853	3,651,110
Expenditures							
Public Safety:							
Personal Services	34,511,346	71,200	443,173	0	175,073	110,102	35,310,894
Operating Expenditures	5,564,542	81,204	319,430	327,545	185,880	98,530	6,577,131
Capital Outlay	689,785	200,904	26,008	28,975	45,475	353,017	1,344,164
Court Services:							
Personal Services	858,692	0	0	0	0	0	858,692
Operating Expenditures	247,099	0	0	0	0	0	247,099
Capital Outlay	0	0	0	0	0	0	0
(Total Expenditures)	(41,871,464)	(353,308)	(788,611)	(356,520)	(406,428)	(561,649)	(44,337,980)
(Deficiency) Excess of Revenues (Under) Over Expenditures	(40,034,812)	(340,147)	(28,848)	34,404	(62,671)	(254,796)	(40,686,870)
Other Financing							
Sources (Uses)							
Transfers in:							
Hernando County, Florida, Board of County Commissioners Appropriations	41,339,294	0	0	0	0	0	41,339,294
Transfers (out):							
Hernando County, Florida, Board of County Commissioners: Excess Fees	(1,304,482)	0	0	0	0	0	(1,304,482)
Total Other Financing Sources (Uses)	40,034,812	0	0	0	0	0	40,034,812
Net Change in Fund Balance	0	(340,147)	(28,848)	34,404	(62,671)	(254,796)	(652,058)
Fund Balance, Beginning of Year	0	1,145,169	723,246	244,462	384,452	828,519	3,325,848
Fund Balance, End of Year	\$ 0	\$ 805,022	\$ 694,398	\$ 278,866	\$ 321,781	\$ 573,723	\$ 2,673,790

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, 2015

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 1,623,007	\$ 1,623,007	\$ 1,739,214	\$ 116,207
Interest Revenue	2,500	2,500	18,234	15,734
Miscellaneous	62,200	62,200	79,204	17,004
Total Revenues	<u>1,687,707</u>	<u>1,687,707</u>	<u>1,836,652</u>	<u>148,945</u>
Expenditures				
Public Safety:				
Personal Services	35,789,069	34,773,669	34,511,346	262,323
Operating Expenditures	5,506,863	5,935,363	5,564,542	370,821
Capital Outlay	175,000	761,900	689,785	72,115
Court Services:				
Personal Services	965,467	949,767	858,692	91,075
Operating Expenditures	246,900	262,600	247,099	15,501
(Total Expenditures)	<u>(42,683,299)</u>	<u>(42,683,299)</u>	<u>(41,871,464)</u>	<u>811,835</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(40,995,592)</u>	<u>(40,995,592)</u>	<u>(40,034,812)</u>	<u>960,780</u>
Other Financing Sources (Uses)				
Transfers in:				
Hernando County, Florida, Board of County Commissioners Appropriations	41,339,292	41,339,292	41,339,294	2
Transfers (out):				
Hernando County, Florida, Board of County Commissioners: Excess Fees	(343,700)	(343,700)	(1,304,482)	(960,782)
Total Other Financing Sources (Uses)	<u>40,995,592</u>	<u>40,995,592</u>	<u>40,034,812</u>	<u>(960,780)</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, 2015

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 0	\$ 0	\$ 12,885	\$ 12,885
Interest Revenue	600	600	276	(324)
Total Revenues	<u>600</u>	<u>600</u>	<u>13,161</u>	<u>12,561</u>
Expenditures				
Public Safety:				
Personal Services	69,506	69,506	71,200	(1,694)
Operating Expenditures	76,000	90,000	81,204	8,796
Capital Outlay	0	200,904	200,904	0
(Total Expenditures)	<u>(145,506)</u>	<u>(360,410)</u>	<u>(353,308)</u>	<u>7,102</u>
(Deficiency) of Revenues				
(Under) Expenditures	(144,906)	(359,810)	(340,147)	19,663
Other Financing (Uses) Sources				
Reserve for Contingencies	(1,000,263)	(785,359)	0	785,359
Net Change in Fund Balance	(1,145,169)	(1,145,169)	(340,147)	805,022
Fund Balance, Beginning of Year	<u>1,145,169</u>	<u>1,145,169</u>	<u>1,145,169</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 805,022</u>	<u>\$ 805,022</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, 2015

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 752,029	\$ 752,029	\$ 757,924	\$ 5,895
Interest Revenue	0	0	1,839	1,839
Total Revenues	<u>752,029</u>	<u>752,029</u>	<u>759,763</u>	<u>7,734</u>
Expenditures				
Public Safety:				
Personal Services	481,286	481,286	443,173	38,113
Operating Expenditures	540,900	540,900	319,430	221,470
Capital Outlay	350,000	350,000	26,008	323,992
(Total Expenditures)	<u>(1,372,186)</u>	<u>(1,372,186)</u>	<u>(788,611)</u>	<u>583,575</u>
(Deficiency) of Revenues (Under) Expenditures	(620,157)	(620,157)	(28,848)	591,309
Other Financing (Uses) Sources				
Reserve for Contingencies	(103,089)	(103,089)	0	103,089
Net Change in Fund Balance	(723,246)	(723,246)	(28,848)	694,398
Fund Balance, Beginning of Year	<u>723,246</u>	<u>723,246</u>	<u>723,246</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 694,398</u>	<u>\$ 694,398</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, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 96,000	\$ 96,000	\$ 158,520	\$ 62,520
Fines and Forfeitures	182,820	182,820	167,442	(15,378)
Interest Revenue	0	0	73	73
Miscellaneous	64,887	64,887	64,889	2
Total Revenues	<u>343,707</u>	<u>343,707</u>	<u>390,924</u>	<u>47,217</u>
Expenditures				
Public Safety:				
Operating Expenditures	403,440	403,440	327,545	75,895
Capital Outlay	184,729	184,729	28,975	155,754
(Total Expenditures)	<u>(588,169)</u>	<u>(588,169)</u>	<u>(356,520)</u>	<u>231,649</u>
Net Change in Fund Balance	(244,462)	(244,462)	34,404	278,866
Fund Balance, Beginning of Year	<u>244,462</u>	<u>244,462</u>	<u>244,462</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 278,866</u>	<u>\$ 278,866</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, 2015

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 390,000	\$ 390,000	\$ 339,929	\$ (50,071)
Interest Revenue	0	0	796	796
Miscellaneous	3,000	3,000	3,032	32
Total Revenues	<u>393,000</u>	<u>393,000</u>	<u>343,757</u>	<u>(49,243)</u>
Expenditures				
Public Safety:				
Personal Services	181,422	181,422	175,073	6,349
Operating Expenditures	174,900	200,000	185,880	14,120
Capital Outlay	50,000	50,000	45,475	4,525
(Total Expenditures)	<u>(406,322)</u>	<u>(431,422)</u>	<u>(406,428)</u>	<u>24,994</u>
(Deficiency) of Revenues				
(Under) Expenditures	(13,322)	(38,422)	(62,671)	(24,249)
Other Financing Sources (Uses)				
Reserve for Contingencies	<u>(371,130)</u>	<u>(346,030)</u>	<u>0</u>	<u>346,030</u>
Net Change in Fund Balance	(384,452)	(384,452)	(62,671)	321,781
Fund Balance, Beginning of Year	<u>384,452</u>	<u>384,452</u>	<u>384,452</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 321,781</u>	<u>\$ 321,781</u>

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE - INTERNAL SERVICE FUND
SEPTEMBER 30, 2015**

	Internal Service
Assets	
Cash with Fiscal Agent	\$ 5,595,889
Accounts Receivable	75,539
Total Assets	5,671,428
Liabilities	
Accounts Payable	692,973
Liability for Unpaid Claims	320,024
Unearned Revenue	340,080
Total Liabilities	1,353,077
Net Position	
Unrestricted	4,318,351
Total Net Position	\$ 4,318,351

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, 2015**

	Internal Service
Operating Revenues	
Interfund Charges	\$ 4,052,012
Premiums - Employees	660,531
Premiums - Retirees	398,659
Miscellaneous	51,195
Total Operating Revenues	5,162,397
Operating Expenses	
Claims	3,690,198
Professional Services	575,433
Insurance	233,649
(Total Operating Expenses)	(4,499,280)
Operating Income	663,117
Nonoperating Revenues	
Interest	2,387
Change in Net Position	665,504
Net Position, Beginning of Year	3,652,847
Net Position, End of Year	\$ 4,318,351

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Internal Service
Cash Flows From Operating Activities	
Cash Received from Interfund Charges	\$ 4,052,847
Cash Received from Employees	660,531
Cash Received from Retirees	398,659
Other Cash Receipts	51,195
Payments to Suppliers	(673,902)
Claims Paid	(3,622,172)
Net Cash Provided by Operating Activities	867,158
 Cash Flows From Investing Activities	
Interest Received	2,387
Net Increase in Cash	869,545
 Cash, Beginning of Year	4,726,344
Cash, End of Year	\$ 5,595,889
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 663,117
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	69,195
Increase in Accounts Payable	65,985
Increase in Liability for Unpaid Claims	68,026
Increase in Unearned Revenue	835
Total Adjustments	204,041
Net Cash Provided by Operating Activities	\$ 867,158

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2015

Assets

Cash and Cash Equivalents	\$ 87,388
Total Assets	<u><u>87,388</u></u>

Liabilities

Accounts Payable	31,624
Due to Other Funds	30,676
Due to Other Governments	9,045
Deposits	16,043
Total Liabilities	<u><u>\$ 87,388</u></u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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.

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.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Sheriff's office, but are not intended to be a complete presentation of the County as a whole. Except for this matter, they are otherwise in conformity with accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(4), *Rules of the Auditor General—Local Governmental Entity Audits*.

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.
- **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.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

- **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
- Child Saver Program Fund
- Grants and Contributions Fund

The Sheriff reports the following other fund types:

- **Proprietary Fund Type—Internal Service Funds**
These funds are used to account for health and dental insurance benefits provided to the employees by the Sheriff. Their 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.

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.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

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 Inflows/Unearned Revenue

Deferred inflows in governmental funds represent revenues that have been earned, but are not available (because they were received more than 60 days after year-end). Unearned revenue in proprietary fund types represents revenues attributable to future periods.

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.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Concluded)

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.
- **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.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles, 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.

Governmental Accounting Standards Board (GASB) Statement No. 68

The Sheriff participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the Sheriff implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. However, these liabilities would be recorded in government-wide financial statements, which are not required in this special-purpose presentation. As such, only the applicable disclosures required by GASB 68 have been presented herein. In addition, the cost-sharing multiple-employer plans mentioned above operate on a fiscal year ended June 30. The Sheriff's proportionate share of the net pension liabilities at June 30, 2014, was \$15,265,485.

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 GAAP 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, 2015, the carrying value of the Sheriff's cash and cash equivalents was as follows:

	Carrying Value
Cash on Hand	\$ 11,720
Demand Deposits	11,406,561
Total Cash and Cash Equivalents	\$ 11,418,281

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 3 - Cash and Investments (Concluded)

Such amounts are reported as \$5,735,004, \$340,206, and \$87,388 in the governmental, internal service, and agency funds, respectively. In addition, there is cash of \$5,255,683 held by the claims administrator reported in the internal service funds 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, 2015, consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 21,257	\$ 0
Inmate Welfare Fund	9,419	0
Agency Fund	0	30,676
Total Due to/Due from Other Funds	\$ 30,676	\$ 30,676

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, 2015
(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, 2015, was as follows:

	<u>October 1,</u> <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2015</u>
Automobiles and Other Vehicles	\$ 7,936,401	\$ 701,814	\$ (406,852)	\$ 8,231,363
Furniture and Equipment	<u>10,083,322</u>	<u>985,229</u>	<u>(70,479)</u>	<u>10,998,072</u>
Total at Cost	18,019,723	1,687,043	(477,331)	19,229,435
(Less Accumulated Depreciation)	<u>(13,176,746)</u>	<u>(1,674,592)</u>	<u>485,716</u>	<u>(14,365,622)</u>
Book Value	<u>\$ 4,842,977</u>	<u>\$ 12,451</u>	<u>\$ 8,385</u>	<u>\$ 4,863,813</u>

Proceeds from the sale or disposal of vehicles are netted against capital outlay in the accompanying statement of revenues, expenditures and changes in fund balance. Following is a reconciliation of 2015 capital asset additions above to capital outlay on the accompanying statement of revenues, expenditures and changes in fund balance:

	<u>2015</u>
Capital Outlay	\$ 1,344,164
Real Property	(24,605)
Proceeds from Vehicle Sales/Disposals	64,295
Purchased by Other Entities	<u>303,189</u>
Total Additions	<u>\$ 1,687,043</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</u> <u>October 1,</u> <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30,</u> <u>2015</u>
Accrued Compensated Absences	<u>\$ 3,819,182</u>	<u>\$ 3,822,241</u>	<u>\$ (4,192,745)</u>	<u>\$ 3,448,678</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 6 - Long-term Liability (Concluded)

Of these above obligations, \$2,643,652 are expected to be paid during the fiscal year ended September 30, 2016, primarily from the general fund, and so are considered current. These liabilities are not reported in the fund 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, 2015, were as follows:

	<u>Total</u>	<u>Law Enforcement</u>	<u>Detention</u>	<u>Emergency Management</u>	<u>Courthouse</u>
Revenues					
Dispatching Fees	\$ 499,574	\$ 499,574	\$ 0	\$ 0	\$ 0
School Resource Officers	621,056	621,056	0	0	0
School Crossing Guards	145,337	145,337	0	0	0
Federal Inmates	136,960	0	136,960	0	0
Inmate Booking	51,733	0	51,733	0	0
Inmate Medical	33,470	0	33,470	0	0
Inmate Subsistence	167,880	0	167,880	0	0
Inmate Public Works	58,004	0	58,004	0	0
Inmate Social Security	<u>25,200</u>	<u>0</u>	<u>25,200</u>	<u>0</u>	<u>0</u>
Charges for Services	<u>1,739,214</u>	<u>1,265,967</u>	<u>473,247</u>	<u>0</u>	<u>0</u>
Interest Income	18,234	18,234	0	0	0
Miscellaneous	<u>79,204</u>	<u>79,204</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 1,836,652</u>	<u>\$ 1,363,405</u>	<u>\$ 473,247</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures					
Personal Services	\$35,370,038	\$ 25,158,198	\$ 9,082,228	\$ 270,920	\$ 858,692
Operating Expenditures	5,811,641	3,501,083	2,011,333	52,126	247,099
Capital Outlay	<u>689,785</u>	<u>680,211</u>	<u>9,574</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$41,871,464</u>	<u>\$ 29,339,492</u>	<u>\$ 11,103,135</u>	<u>\$ 323,046</u>	<u>\$ 1,105,791</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 9 - Employee Retirement Plan

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Sheriff are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The Sheriff's pension expense totaled \$3,976,765 for the fiscal year ended September 30, 2015, (all plans) – modified accrual basis.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership applicable to the Sheriff are as follows:

- *Regular Class*—Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officer Class*—Members who hold specified elective offices in local government.
- *Senior Management Service Class*—Members in senior management level positions.
- *Special Risk Class*—Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY, FLORIDA
SHERIFF
SEPTEMBER 30, 2015
(Continued)

Note 9 - Employee Retirement Plan (Continued)

FRS Pension Plan (Continued)

Plan Description. (Concluded)

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

**NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY, FLORIDA
SHERIFF
SEPTEMBER 30, 2015
(Continued)**

Note 9 - Employee Retirement Plan (Continued)

FRS Pension Plan (Continued)
Benefits Provided. (Concluded)

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
<i>Regular Class Members Initially Enrolled Before July 1, 2011:</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011:</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular:</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-2015 fiscal year were as follows:

Class	Year Ended June 30, 2015 Percent of Gross Salary		Year Ended June 30, 2016 Percent of Gross Salary	
	Employee	Employer	Employee	Employer
FRS, Regular	3.00	6.07	3.00	5.56
FRS, Senior Management Service	3.00	19.84	3.00	19.73
FRS, Special Risk Regular	3.00	18.52	3.00	20.34
DROP – Applicable to Members from All of the Above Classes	0.00	11.02	0.00	11.22
FRS, Reemployed Retiree	(1)	(1)	(1)	(1)

Notes: (1) Contribution rates are dependent upon retirement class in which reemployed.

**NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY, FLORIDA
SHERIFF
SEPTEMBER 30, 2015
(Continued)**

Note 9 - Employee Retirement Plan (Continued)

FRS Pension Plan (Continued)

Contributions. (Concluded)

The Sheriff contributions, including employee contributions, to the Plan totaled \$3,999,437 for the fiscal year ended September 30, 2015. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities and Pension Expense. The FRS operates with a fiscal year ended June 30. FRS Schedules of Employer Allocations were issued in October 2015 for the year ended June 30, 2014. Schedules of Employer Allocations for the year ended June 30, 2015, are not expected to be available until early 2016. As such, required disclosures for the year ended June 30, 2015, are not available.

At September 30, 2014, the Sheriff's proportionate share of the FRS net pension liability was \$8,164,562. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Sheriff's proportionate share of the net pension liability was based on the Sheriff's fiscal year ended June 30, 2014 contributions relative to the fiscal year ended June 30, 2013 contributions of all participating members. At June 30, 2014, the Sheriff's proportion was .133813025%, which was a decrease of .000238658 from its proportion measured as of June 30, 2013.

For the year ended September 30, 2015, the Sheriff recognized pension expense of \$3,404,662 related to the Plan (modified accrual basis). The Sheriff's proportionate share of the net pension liability, deferred outflows of resources and deferred inflows of resources are recognized at the County-wide level.

Deferred Outflows of Resources Related to Pensions. Employer contributions for the quarters ended September 30, 2015 and 2014, were \$968,867 and \$887,364, respectively.

Actuarial Assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	7.65% Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY, FLORIDA
SHERIFF
SEPTEMBER 30, 2015
(Continued)

Note 9 - Employee Retirement Plan (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions. (Concluded)

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed Inflation – Mean		2.60%		2.00%

Note: (1) As Outlined in the Plan's Investment Policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Sheriff's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the Sheriff's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Sheriff's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
Sheriff's Proportionate Share of the Net Pension Liability	\$ 34,920,918	\$ 8,164,562	\$ (14,091,620)

NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY, FLORIDA
SHERIFF
SEPTEMBER 30, 2015
(Continued)

Note 9 - Employee Retirement Plan (Continued)

FRS Pension Plan (Concluded)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At September 30, 2015, the Sheriff reported a payable of \$370,043 for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2015.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended June 30, 2016 and 2015, the contribution rates were 1.66% and 1.26% of payroll respectively, pursuant to Section 112.363, Florida Statutes. The Sheriff contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Sheriff's contributions to the HIS Plan totaled \$329,707 for the fiscal year ended September 30, 2015 (modified accrual basis).

Pension Liabilities and Pension Expense. The HIS operates with a fiscal year ended June 30. FRS Schedules of Employer Allocations were issued in October 2015 for the year ended June 30, 2014. Schedules of Employer Allocations for the year ended June 30, 2015, are not expected to be available until early 2016. As such, required disclosures for the year ended June 30, 2015, are not available.

At September 30, 2014, the Sheriff's proportionate share of the HIS net pension liability was \$7,100,923. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Sheriff's proportionate share of the net pension liability was based on the Sheriff's fiscal year ended June 30, 2014 contributions relative to the fiscal year ended June 30, 2013 contributions of all participating members. At June 30, 2014, the Sheriff's proportion was .075943718%, which was a decrease of .000025925 from its proportion measured as of June 30, 2013.

**NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY, FLORIDA
SHERIFF
SEPTEMBER 30, 2015
(Continued)**

Note 9 - Employee Retirement Plan (Continued)

HIS Pension Plan (Continued)

Pension Liabilities and Pension Expense. (Concluded)

For the fiscal year ended September 30, 2015, the Sheriff recognized pension expense of \$329,707 related to the HIS Plan (modified accrual basis). The Sheriff's proportionate share of the net pension liability, deferred outflows of resources and deferred inflows of resources are recognized at the County-wide level.

Deferred Outflows of Resources Related to Pensions. Employer contributions for the quarters ended September 30, 2015 and 2014, were \$106,922 and \$79,301, respectively.

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Municipal Bond Rate	4.29% Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 4.29%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Sheriff's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Sheriff's proportionate share of the net pension liability calculated using the discount rate of 4.29%, as well as what the Sheriff's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.29%) or 1-percentage-point higher (5.29%) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
Sheriff's Proportionate Share of the Net Pension Liability	\$ 8,076,725	\$ 7,100,923	\$ 6,286,408

**NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY, FLORIDA
SHERIFF
SEPTEMBER 30, 2015
(Continued)**

Note 9 - Employee Retirement Plan (Continued)

HIS Pension Plan (Concluded)

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At September 30, 2015, the Sheriff reported a payable of \$35,553 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

FRS – Defined Contribution Pension Plan

The Sheriff contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Sheriff employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment members' accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the

NOTES TO FINANCIAL STATEMENTS
HERNANDO COUNTY, FLORIDA
SHERIFF
SEPTEMBER 30, 2015
(Continued)

Note 9 - Employee Retirement Plan (Concluded)

FRS – Defined Contribution Pension Plan (Concluded)

accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Sheriff.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Sheriff's Investment Plan pension expense totaled \$242,396 for the fiscal year ended September 30, 2015.

Payables to the Investment Plan. At September 30, 2015, the Sheriff reported a payable of \$30,595 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended September 30, 2015.

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, 2015, \$25,097 was paid on behalf of the survivors who qualified.

Note 11 - Risk Management

The Sheriff participates in the Florida Sheriff's Risk Management Fund to insure against automobile, 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.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 11 - Risk Management (Concluded)

Effective October 1, 2011, the Sheriff became self-insured for employee and retiree health coverage. Effective October 1, 2014, the Sheriff became self-insured for employee and retiree dental coverage. Prior to those dates, the Sheriff carried commercial insurance for its health and dental 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, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Unpaid Claims, Beginning of Year	\$ 251,998	\$ 234,977
Incurred Claims	3,690,198	3,258,476
Claim Payments	<u>(3,622,172)</u>	<u>(3,241,455)</u>
Unpaid Claims, End of Year	<u>\$ 320,024</u>	<u>\$ 251,998</u>

Note 13 - 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, 2015, was \$64,889.

<u>Year</u>	<u>Amount</u>
2016	\$ 64,889
2017	64,889
2018	74,622
2019	74,622
2020	74,622
2021-2025	406,689
2026-2030	467,692
2031-2035	537,846
2036-2037	<u>226,981</u>
Total	<u>\$ 1,992,852</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Concluded)

Note 14 - 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, 2015

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 fund derives its resources from grants and donations. Each grant and donation is separately accounted for within the fund, to assure proper accounting in accordance with the grant agreements.

**HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Law Enforcement Education	Child Saver Program	Grants and Contributions	
Assets				
Cash and Cash Equivalents	\$ 441,596	\$ 4,515	\$ 113,083	\$ 559,194
Due from Other Governments	5,814	0	14,158	19,972
Total Assets	<u>447,410</u>	<u>4,515</u>	<u>127,241</u>	<u>579,166</u>
Liabilities				
Accounts Payable	1,188	0	785	1,973
Accrued Wages and Benefits Payable	0	0	3,270	3,270
Deposits	0	200	0	200
Total Liabilities	<u>1,188</u>	<u>200</u>	<u>4,055</u>	<u>5,443</u>
Fund Balances				
Restricted for:				
Law Enforcement Activities	0	0	123,186	123,186
Education and Training	446,222	0	0	446,222
Other	0	4,315	0	4,315
Total Fund Balances	<u>446,222</u>	<u>4,315</u>	<u>123,186</u>	<u>573,723</u>
Total Liabilities and Fund Balances	<u>\$ 447,410</u>	<u>\$ 4,515</u>	<u>\$ 127,241</u>	<u>\$ 579,166</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Law Enforcement Education	Child Saver Program	Grants and Contributions	
Revenues				
Intergovernmental	\$ 0	\$ 0	\$ 196,790	\$ 196,790
Charges for Services	0	560	0	560
Fines and Forfeitures	82,062	0	0	82,062
Interest Revenue	288	0	602	890
Miscellaneous	0	0	26,551	26,551
Total Revenues	<u>82,350</u>	<u>560</u>	<u>223,943</u>	<u>306,853</u>
Expenditures				
Public Safety:				
Personal Services	0	0	110,102	110,102
Operating Expenditures	32,669	0	65,861	98,530
Capital Outlay	0	0	353,017	353,017
(Total Expenditures)	<u>(32,669)</u>	<u>0</u>	<u>(528,980)</u>	<u>(561,649)</u>
Net Change in Fund Balance	49,681	560	(305,037)	(254,796)
Fund Balances, Beginning of Year	<u>396,541</u>	<u>3,755</u>	<u>428,223</u>	<u>828,519</u>
Fund Balances, End of Year	<u>\$ 446,222</u>	<u>\$ 4,315</u>	<u>\$ 123,186</u>	<u>\$ 573,723</u>

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, 2015

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 80,000	\$ 80,000	\$ 82,062	\$ 2,062
Interest Revenue	100	100	288	188
Total Revenues	<u>80,100</u>	<u>80,100</u>	<u>82,350</u>	<u>2,250</u>
Expenditures				
Public Safety:				
Operating Expenditures	51,850	51,850	32,669	19,181
(Total Expenditures)	<u>(51,850)</u>	<u>(51,850)</u>	<u>(32,669)</u>	<u>19,181</u>
Excess of Revenues Over Expenditures	28,250	28,250	49,681	21,431
Other Financing (Uses) Sources				
Reserve for Contingencies	(424,791)	(424,791)	0	424,791
Net Change in Fund Balance	(396,541)	(396,541)	49,681	446,222
Fund Balance, Beginning of Year	<u>396,541</u>	<u>396,541</u>	<u>396,541</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 446,222</u>	<u>\$ 446,222</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, 2015

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 195,569	\$ 212,510	\$ 196,790	\$ (15,720)
Interest Revenue	50	50	602	552
Miscellaneous	26,000	27,300	26,551	(749)
Total Revenues	<u>221,619</u>	<u>239,860</u>	<u>223,943</u>	<u>(15,917)</u>
Expenditures				
Public Safety:				
Personal Services	106,758	123,699	110,102	13,597
Operating Expenditures	73,441	78,385	65,861	12,524
Capital Outlay	307,679	363,567	353,017	10,550
(Total Expenditures)	<u>(487,878)</u>	<u>(565,651)</u>	<u>(528,980)</u>	<u>36,671</u>
(Deficiency) of Revenues				
(Under) Expenditures	(266,259)	(325,791)	(305,037)	20,754
Other Financing (Uses) Sources				
Reserve for Contingencies	<u>(158,320)</u>	<u>(102,432)</u>	<u>0</u>	<u>102,432</u>
Net Change in Fund Balance	(424,579)	(428,223)	(305,037)	123,186
Fund Balance, Beginning of Year	<u>424,579</u>	<u>428,223</u>	<u>428,223</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 123,186</u>	<u>\$ 123,186</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2015

Internal service funds are used when a fund primarily provides benefits for other funds, departments, or agencies of the primary government. The Sheriff has the following internal service funds:

- **Health**—This fund is used to account for the Sheriff’s self-insurance program for employee health benefits.

- **Dental**—This fund is used to account for the Sheriff’s self-insurance program for employee dental benefits.

**HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2015**

	<u>Health</u>	<u>Dental</u>	<u>Total Internal Service</u>
Assets			
Cash with Fiscal Agent	\$ 5,490,450	\$ 105,439	\$ 5,595,889
Accounts Receivable	75,539	0	75,539
Total Assets	<u>5,565,989</u>	<u>105,439</u>	<u>5,671,428</u>
Liabilities			
Accounts Payable	668,498	24,475	692,973
Liability for Unpaid Claims	308,720	11,304	320,024
Unearned Revenue	321,098	18,982	340,080
Total Liabilities	<u>1,298,316</u>	<u>54,761</u>	<u>1,353,077</u>
Net Position			
Unrestricted	4,267,673	50,678	4,318,351
Total Net Position	<u>\$ 4,267,673</u>	<u>\$ 50,678</u>	<u>\$ 4,318,351</u>

**HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Health</u>	<u>Dental</u>	<u>Total Internal Service</u>
Operating Revenues			
Interfund Charges	\$ 3,888,503	\$ 163,509	\$ 4,052,012
Premiums - Employees	589,072	71,459	660,531
Premiums - Retirees	374,330	24,329	398,659
Miscellaneous	51,195	0	51,195
Total Operating Revenues	<u>4,903,100</u>	<u>259,297</u>	<u>5,162,397</u>
Operating Expenses			
Claims	3,504,989	185,209	3,690,198
Professional Services	542,023	33,410	575,433
Insurance	233,649	0	233,649
(Total Operating Expenses)	<u>(4,280,661)</u>	<u>(218,619)</u>	<u>(4,499,280)</u>
Operating Income	622,439	40,678	663,117
Nonoperating Revenues			
Interest	<u>2,387</u>	<u>0</u>	<u>2,387</u>
Change in Net Position	624,826	40,678	665,504
Net Position, Beginning of Year	<u>3,642,847</u>	<u>10,000</u>	<u>3,652,847</u>
Net Position, End of Year	<u>\$ 4,267,673</u>	<u>\$ 50,678</u>	<u>\$ 4,318,351</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Health</u>	<u>Dental</u>	<u>Total Internal Service</u>
Cash Flows from Operating Activities			
Cash Received from Interfund Charges	\$ 3,889,341	\$ 163,506	\$ 4,052,847
Cash Received from Employees	589,072	71,459	660,531
Cash Received from Retirees	374,330	24,329	398,659
Other Cash Receipts	51,195	0	51,195
Payments to Suppliers	(664,967)	(8,935)	(673,902)
Claims Paid	(3,448,267)	(173,905)	(3,622,172)
Net Cash Provided by Operating Activities	<u>790,704</u>	<u>76,454</u>	<u>867,158</u>
Cash Flows From Investing Activities			
Interest Received	<u>2,387</u>	<u>0</u>	<u>2,387</u>
Net Increase in Cash	793,091	76,454	869,545
Cash, Beginning of Year	<u>4,697,359</u>	<u>28,985</u>	<u>4,726,344</u>
Cash, End of Year	<u>\$ 5,490,450</u>	<u>\$ 105,439</u>	<u>\$ 5,595,889</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income	<u>\$ 622,439</u>	<u>\$ 40,678</u>	<u>\$ 663,117</u>
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable	69,195	0	69,195
Increase in Accounts Payable	41,510	24,475	65,985
Increase in Liability for Unpaid Claims	56,722	11,304	68,026
Increase (Decrease) in Unearned Revenue	838	(3)	835
Total Adjustments	<u>168,265</u>	<u>35,776</u>	<u>204,041</u>
Net Cash Provided by Operating Activities	<u>\$ 790,704</u>	<u>\$ 76,454</u>	<u>\$ 867,158</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
AGENCY FUNDS
SEPTEMBER 30, 2015

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, 2015

	Civil Trust Fund	Inmate Trust Fund	Total Agency Funds
Assets			
Cash and Cash Equivalents	\$ 10,880	\$ 76,508	\$ 87,388
Total Assets	<u>10,880</u>	<u>76,508</u>	<u>87,388</u>
Liabilities			
Accounts Payable	0	31,624	31,624
Due to Other Funds	0	30,676	30,676
Due to Other Governments	9,045	0	9,045
Deposits	1,835	14,208	16,043
Total Liabilities	<u>\$ 10,880</u>	<u>\$ 76,508</u>	<u>\$ 87,388</u>

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF 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 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, 2015, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2016.

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

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
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 ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Durvis, Gray and Company, LLP

January 8, 2016
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

Report on Compliance

We have examined Hernando County, Florida, Sheriff's (the Sheriff) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2015, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

Management's Responsibility

Management is responsible for the Sheriff's compliance with those requirements.

Accountants' Responsibility

Our responsibility is to express an opinion on the Sheriff's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Sheriff's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Sheriff's compliance with specified requirements.

Opinion

In our opinion, the Sheriff complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

Restriction on Use

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


January 8, 2016
Sarasota, Florida

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MANAGEMENT LETTER

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

Report on the Financial Statements

We have audited the 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, 2015, and have issued our report thereon dated January 8, 2016.

Auditors' Responsibility

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 Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes. Disclosures in those reports, which are dated January 8, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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.

Official Title and Legal Authority

Section 10.554(1)(i)4., *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 financial statements. In that regard, the Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Sheriff.

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Honorable Al Nienhuis
Sheriff
Hernando County, Florida

MANAGEMENT LETTER
(Concluded)

Other Matters

Section 10.554(1)(i)2., *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)3., *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.

Purpose of the Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Sheriff, its management, and the Board of County Commissioners of Hernando County, Florida, 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.


January 8, 2016
Sarasota, Florida