

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

**NASSAU COUNTY SHERIFF
NASSAU COUNTY, FLORIDA**

SEPTEMBER 30, 2010

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INDEPENDENT AUDITORS' REPORT

The Honorable T.L. "Tommy" Seagraves, Jr.
Nassau County Sheriff
Nassau County, Florida

We have audited the accompanying special purpose financial statements of each major fund and the aggregate remaining fund information of the Nassau County, Florida Sheriff (the Sheriff), as of and for the year ended September 30, 2010, as listed in the table of contents. These special purpose financial statements are the responsibility of the Sheriff's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices prescribed by, the *Rules of the Auditor General*, State of Florida, which practices differ from accounting principles generally accepted in the United States of America. The differences include the permitted omission of entity-wide, full accrual, financial statements and the management's discussion and analysis. In addition, the financial statements referred to above are intended to present the financial position and changes in financial position of only that portion of Nassau County, Florida, that is attributable to the transactions of the Sheriff. They do not purport to, and do not, present fairly the financial position of Nassau County, Florida, as a whole as of September 30, 2010, and the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major funds and the aggregate remaining fund information of the Sheriff, as of September 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparison for the major funds for the year then ended in conformity with the basis of accounting described in Note 1.

Certified Public Accountants

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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

The Honorable T.L. "Tommy" Seagraves, Jr.
Nassau County Sheriff
Nassau County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

In accordance with *Government Auditing Standards*, we have also issued a report dated February 7, 2011, 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* and should be considered in assessing the results of our audit.

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

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

Purvis, Gray and Company, LLP

February 7, 2011
Gainesville, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010
NASSAU COUNTY SHERIFF**

	Major Funds					Total Governmental Funds
	General Fund	Inmate Commissary	Sheriff's Foundation	911 Operations	Sheriff's Investigative	
Assets						
Cash on Hand	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,241	\$ 12,241
Cash in Bank	202,526	170,169	39,183	129,071	0	540,949
Due from Board of County Commissioners	13,034	0	0	30,727	0	43,761
Due from Other Governments	39,906	14,549	0	0	0	54,455
Total Assets	255,466	184,718	39,183	159,798	12,241	651,406
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	222,402	2,634	0	13,506	0	238,542
Due to Other Governments	720	0	0	0	0	720
Due to Board of County Commissioners	32,344	0	0	146,292	0	178,636
Total Liabilities	255,466	2,634	0	159,798	0	417,898
Fund Balances						
Unreserved	0	182,084	39,183	0	12,241	233,508
Total Fund Balances	0	182,084	39,183	0	12,241	233,508
Total Liabilities and Fund Balances	\$ 255,466	\$ 184,718	\$ 39,183	\$ 159,798	\$ 12,241	\$ 651,406

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
NASSAU COUNTY SHERIFF**

	Major Funds					Total Governmental Funds
	General Fund	Inmate Commissary	Sheriff's Foundation	911 Operations	Sheriff's Investigative	
Revenues						
Intergovernmental	\$ 183,179	\$ 0	\$ 0	\$ 0	\$ 0	\$ 183,179
Miscellaneous	145,999	113,291	55,718	221	0	315,229
Total Revenues	<u>329,178</u>	<u>113,291</u>	<u>55,718</u>	<u>221</u>	<u>0</u>	<u>498,408</u>
Expenditures						
Current:						
Court-related:						
Personal Services	718,445	0	0	0	0	718,445
Operating Expenditures	139,318	0	0	0	0	139,318
Public Safety:						
Personal Services	10,581,511	0	0	130,646	0	10,712,157
Operating Expenditures	3,317,730	109,696	58,110	260,119	21,141	3,766,796
Capital Outlay	948,689	4,063	0	10,829	0	963,581
Debt Service	127,939	0	0	0	0	127,939
(Total Expenditures)	<u>(15,833,632)</u>	<u>(113,759)</u>	<u>(58,110)</u>	<u>(401,594)</u>	<u>(21,141)</u>	<u>(16,428,236)</u>
(Deficiency) of Revenues						
(Under) Expenditures	<u>(15,504,454)</u>	<u>(468)</u>	<u>(2,392)</u>	<u>(401,373)</u>	<u>(21,141)</u>	<u>(15,929,828)</u>
Other Financing Sources (Uses)						
Capital Lease	578,732	0	0	0	0	578,732
Transfers in from Board of County Commissioners	14,944,184	0	0	547,521	30,000	15,521,705
Transfers (out) to Board of County Commissioners	(18,462)	0	0	(146,148)	0	(164,610)
Total Other Financing Sources (Uses)	<u>15,504,454</u>	<u>0</u>	<u>0</u>	<u>401,373</u>	<u>30,000</u>	<u>15,935,827</u>
Net Change in Fund Balances	0	(468)	(2,392)	0	8,859	5,999
Fund Balance, Beginning of Year	<u>0</u>	<u>182,552</u>	<u>41,575</u>	<u>0</u>	<u>3,382</u>	<u>227,509</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 182,084</u>	<u>\$ 39,183</u>	<u>\$ 0</u>	<u>\$ 12,241</u>	<u>\$ 233,508</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
NASSAU COUNTY SHERIFF**

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 0	\$ 183,179	\$ 183,179	\$ 0
Miscellaneous	0	145,999	145,999	0
Total Revenues	<u>0</u>	<u>329,178</u>	<u>329,178</u>	<u>0</u>
Expenditures				
Current:				
Court-related:				
Personal Services	754,492	718,445	718,445	0
Operating Expenditures	19,558	139,318	139,318	0
Public Safety:				
Personal Services	10,978,330	10,581,511	10,581,511	0
Operating Expenditures	2,540,561	3,317,730	3,317,730	0
Capital Outlay	10,000	948,689	948,689	0
Debt Service	0	127,939	127,939	0
(Total Expenditures)	<u>(14,302,941)</u>	<u>(15,833,632)</u>	<u>(15,833,632)</u>	<u>0</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(14,302,941)</u>	<u>(15,504,454)</u>	<u>(15,504,454)</u>	<u>0</u>
Other Financing Sources (Uses)				
Capital Lease	0	578,732	578,732	0
Transfers in from Board of County Commissioners	14,332,941	14,944,184	14,944,184	0
Transfers (out) to Board of County Commissioners	(30,000)	(18,462)	(18,462)	0
Total Other Financing Sources (Uses)	<u>14,302,941</u>	<u>15,504,454</u>	<u>15,504,454</u>	<u>0</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 to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - INMATE COMMISSARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
NASSAU COUNTY SHERIFF**

	<u>Inmate Commissary Fund</u>			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Miscellaneous	\$ 0	\$ 113,291	\$ 113,291	\$ 0
Total Revenues	<u>0</u>	<u>113,291</u>	<u>113,291</u>	<u>0</u>
Expenditures				
Current:				
Public Safety:				
Operating Expenditures	0	109,696	109,696	0
Capital Outlay	0	4,063	4,063	0
(Total Expenditures)	<u>0</u>	<u>(113,759)</u>	<u>(113,759)</u>	<u>0</u>
(Excess) of Revenues (Over)				
Expenditures	<u>0</u>	<u>(468)</u>	<u>(468)</u>	<u>0</u>
Net Change in Fund Balance	0	(468)	(468)	0
Fund Balance, Beginning of Year	<u>0</u>	<u>182,552</u>	<u>182,552</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 182,084</u>	<u>\$ 182,084</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - SHERIFF'S FOUNDATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
NASSAU COUNTY SHERIFF**

	<u>Sheriff's Foundation Fund</u>			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Miscellaneous	\$ 0	\$ 55,718	\$ 55,718	\$ 0
Total Revenues	<u>0</u>	<u>55,718</u>	<u>55,718</u>	<u>0</u>
Expenditures				
Current:				
Public Safety:				
Operating Expenditures	0	58,110	58,110	0
(Total Expenditures)	<u>0</u>	<u>(58,110)</u>	<u>(58,110)</u>	<u>0</u>
(Deficiency) of Revenues (Under) Expenditures	<u>0</u>	<u>(2,392)</u>	<u>(2,392)</u>	<u>0</u>
Net Change in Fund Balance	0	(2,392)	(2,392)	0
Fund Balance, Beginning of Year	<u>0</u>	<u>41,575</u>	<u>41,575</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 39,183</u>	<u>\$ 39,183</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - 911 OPERATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
NASSAU COUNTY SHERIFF**

	911 Operations Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Miscellaneous	\$ 0	\$ 221	\$ 221	\$ 0
Total Revenues	<u>0</u>	<u>221</u>	<u>221</u>	<u>0</u>
Expenditures				
Current:				
Public Safety:				
Personal Services	171,488	130,646	130,646	0
Operating Expenditures	203,761	260,119	260,119	0
Capital Outlay	0	10,829	10,829	0
(Total Expenditures)	<u>(375,249)</u>	<u>(401,594)</u>	<u>(401,594)</u>	<u>0</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(375,249)</u>	<u>(401,373)</u>	<u>(401,373)</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers in from Board of County Commissioners	375,249	547,521	547,521	0
Transfers (out) to Board of County Commissioners	0	(146,148)	(146,148)	0
Total Other Financing Sources (Uses)	<u>375,249</u>	<u>401,373</u>	<u>401,373</u>	<u>0</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 to financial statements.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2010
NASSAU COUNTY SHERIFF

Assets

Cash	\$ 29,488
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Liabilities

Accounts Payable	16,976
Deposits	<u>12,512</u>

Total Liabilities	<u>\$ 29,488</u>
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See accompanying notes to financial statements.

**NOTES TO SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
NASSAU COUNTY SHERIFF**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Nassau County, Florida Sheriff (the Sheriff) conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of significant accounting principles and policies used in the preparation of these special purpose financial statements.

Reporting Entity

Nassau 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).

The Sheriff is an elected official of Nassau County, Florida, pursuant to the Constitution of the State of Florida, Article VIII, Section 1(d). The Sheriff is a part of the primary government of Nassau County, Florida. The Sheriff is responsible for the administration and operation of the Sheriff's office, and the Sheriff's special purpose financial statements do not include the financial statements of the Board or the other Constitutional Officers of Nassau County, Florida.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the special purpose financial statements include all funds for which the Sheriff is financially accountable. GASB has set forth criteria for consideration in determining financial accountability. These criteria include appointing a majority of an organization's governing body and (1) the ability of the Sheriff to impose its will on that organization, or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the Sheriff. Other considerations are whether the organization is legally separate, whether the Sheriff holds the corporate powers of the organization, and whether there is fiscal dependency by the organization on the Sheriff.

Based upon the application of these criteria, the Sheriff's Foundation of Nassau County has been included in the accompanying special purpose financial statements as a blended component unit. During 2008, the Sheriff established the Sheriff's Foundation of Nassau County which is a separate legal entity organized under the laws of the State of Florida. The entity is a tax-exempt entity under section 501(c)(3) of the Internal Revenue Code. This entity was established to promote public safety through charitable activities and outreach programs.

The operations of the Sheriff are primarily funded by the Board. The receipts from the Board are recorded as other financing sources on the Sheriff's special purpose financial statements. Any excess of revenues and other financing sources received over expenditures are remitted to the Board at year-end.

Basis of Presentation

The accompanying financial statements include all the funds and accounts of the Sheriff's office, but are not a complete presentation of the County as a whole. The accompanying financial statements are special purpose financial statements because they were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557, *Rules of the Auditor General - Local Governmental Entity Audits*.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
NASSAU COUNTY SHERIFF
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

Section 10.556(4), *Rules of the Auditor General - Local Governmental Entity Audits* requires the Sheriff to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures, including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Sheriff as of September 30, 2010, and the changes in its financial position for the year then ended, in conformity with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis – for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. GAAP.

The financial transactions of the Sheriff are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing 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 special regulations, restrictions, or limitations. GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues, and expenditures of each fund category) for the determination of major funds. Major funds are reported separately in the basic financial statements of the Sheriff.

■ **Governmental Funds**

● **Major Funds**

- ▶ **General Fund**—The general fund is the general operating fund of the Sheriff. It is used to account for all financial resources, except for those required to be accounted for in another fund.
- ▶ **Inmate Commissary Fund**—This fund accounts for commissions received from pay telephones and commissary profits used for the benefit of inmates.
- ▶ **Sheriff's Foundation Fund**—This fund accounts for the operations of a 501(c)(3) charitable organization organized by the Sheriff's office.
- ▶ **911 Operations Fund**—This fund accounts for the operation of the 911 emergency response system.

● **Other Governmental Funds**

- ▶ **Special Revenue Funds**—Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Sheriff reports one special revenue fund in the special purpose financial statements under the title - Sheriff's Investigative Fund. This fund accounts for monies used in accordance with Section 925.055, Florida Statutes.

■ **Fiduciary Funds**

- **Agency Funds**—The agency funds are used to account for assets held by the Sheriff as an agent for individuals, private organizations and other governments. Agency funds are custodial in nature and do not involve measurement of changes in financial position.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
NASSAU COUNTY SHERIFF
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special purpose financial statements. Basis of accounting refers to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. For this purpose, the Sheriff considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid.

Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

Budgetary Requirement

Government fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. An annual budget was adopted for the general fund and the 911 operations fund.

All budget amounts presented for the general fund in the accompanying special purpose financial statements have been adjusted for legally authorized amendments of the annual budget for the year. Budgets are prepared on the modified accrual basis of accounting. The Sheriff's annual budget is monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total annual budget appropriations at the individual fund level. All appropriations lapse at year-end.

Capital Assets

Capital assets, which include vehicles and equipment, are recorded as capital outlay expenditures in the governmental funds at the time goods are received and a liability is incurred. These assets are then capitalized at cost in the statement of net assets as part of the basic financial statements of the County (statement of net assets). Capital assets acquired under capital leases are capitalized at cost in the statement of net assets at the time the assets are received. Donated and confiscated capital assets are recorded in the statement of net assets at fair value at the time received. Capital assets are depreciated using the straight-line method over three to ten years. The depreciation expense is recorded in the statement of activities as part of the basic financial statements of the County.

Accrued Compensated Absences

The Sheriff maintains a policy of granting employees annual leave at the rate of eight hours per month. An employee can receive payment for such accumulated annual leave upon termination of employment.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
NASSAU COUNTY SHERIFF
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Accrued Compensated Absences (Concluded)

In addition, the Sheriff maintains the following policy for sick leave. Sick leave is accumulated at the rate of eight hours per month. Certain sick leave benefits are paid to employees who terminate their employment after ten years of service, retire from duty, or die in the line of duty.

The Sheriff also allows employees to accumulate compensatory time earned. An employee can receive payment for unused compensatory time upon termination of employment or at the discretion of the Sheriff.

Workers' Compensation and Group Health Insurance

The Board provided the Sheriff and his employees with workers' compensation and group health insurance coverage. Accidental death coverage for Law Enforcement Officers was also provided by the Board. The premiums for such coverage were paid by the Board and recorded on its records and, consequently, are not recorded on the Sheriff's records.

Risk Management

The Sheriff is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and the public; or damage to property of others.

The Sheriff participates in two Florida Sheriffs Self-insurance funds for risk related to professional liability and automobile risks. The funding agreements provide that each fund will be self-sustaining through member premiums and that the Sheriff's liability fund will reinsure through commercial companies. Aggregate coverage provided by the liability fund is \$3,500,000 for professional liability and \$3,500,000 for public officials' coverage. Coverage limits for automobile risks are \$200,000 per accident for bodily injury and \$100,000 per accident for property damage.

In addition, the Sheriff has obtained an excess loss reimbursement policy to cover catastrophic inmate medical claims.

Note 2 - Cash and Investments

Cash Deposits

At September 30, 2010, the carrying amount of the Sheriff's deposits was \$570,439 and the bank balance was \$974,519. Deposits in banks are collateralized as public funds through a state procedure provided for in Chapter 280, Florida Statutes. Financial institutions qualifying as public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All of the cash deposits of the Sheriff are placed with qualified financial institutions, which means, they are insured or collateralized.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
NASSAU COUNTY SHERIFF
(Continued)

Note 3 - Employee Benefits

Defined Benefit Pension Plan

All full-time employees of the Sheriff participate in the Florida Retirement System (the System). The System was created by the Florida Legislature and is a cost-sharing, multiple-employer defined benefit public retirement plan available to governmental units within the state of Florida. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

The Sheriff and all full-time employees are eligible to participate in the System. Special risk employees who retire at or after age 55, with six years of creditable service; and all other employees who retire at or after age 62, with six years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to the product of: (1) average monthly compensation in the highest five years of creditable service; (2) creditable service during the appropriate period; and (3) the appropriate benefit percentage. Benefits are fully vested on reaching six years of service. Vested employees may retire after six years of creditable service and receive reduced retirement benefits. The System also provides death benefits, disability benefits and cost-of-living adjustments. Benefits are established by Florida Statute.

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers, such as the Sheriff, are required to contribute 10.77% of the compensation for regular members, 23.25% for special risk, and 18.64% for County officials. The Sheriff's contributions to the System for the years ended September 30, 2010, 2009, and 2008, were \$1,631,997, \$1,582,742, and \$1,521,777, respectively, equal to the required contributions for each year.

Note 4 - Other Postemployment Benefits (OPEB)

Effective for the year ending September 30, 2010, the County implemented GASB Statement No. 45, *Accounting and Reporting for Postemployment Benefits Other than Pensions*, for certain postemployment health care benefits provided by the County.

The OPEB is a single-employer benefit plan administered by the County. Retirees are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. GASB Statement No. 45 calls this the "implicit rate subsidy."

Retirees and their dependents (except for life insurance) are permitted to remain covered under the County's respective medical and insurance plans as long as they pay a full premium applicable to coverage elected. Special risk employees of the Sheriff's office begin to receive a subsidy if they have obtained 25 years of service and become fully subsidized once they reach 30 years of service. All other employees of the Sheriff's office receive a 100% subsidy if they have reached 30 years of service. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
NASSAU COUNTY SHERIFF
(Continued)

Note 4 - Other Postemployment Benefits (OPEB) (Concluded)

Currently, the Sheriff has 211 active employees and 11 retired employees who are considered participants in the plan for purposes of computing the OPEB obligation. The Sheriff's portion of the OPEB obligation for the year totaled \$631,456. This liability will be included in long-term liabilities in the County-wide financial statements. Details of the annual cost, the accrued obligation, and the other required disclosures can be found in the County-wide annual financial report.

Note 5 - Capital Assets

The tangible personal property used by the Sheriff in its governmental fund operation is reported as capital assets in the statement of net assets as part of the basic financial statements of the County. Upon acquisition, such assets are recorded as expenditures in the governmental fund types of the Sheriff and capitalized at cost in the capital asset accounts of the County. The Sheriff maintains recordkeeping and custodial responsibility for certain tangible capital assets used by his office. Information on vehicles and equipment used in the operations of the Sheriff's office are presented below:

	<u>Balance</u> <u>October 1,</u> <u>2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>September 30,</u> <u>2010</u>
Capital Assets				
Machinery and Equipment	\$ 7,233,296	\$ 1,648,382	\$ (110,522)	\$ 8,771,156
Accumulated Depreciation	<u>(5,683,833)</u>	<u>(651,343)</u>	<u>71,186</u>	<u>(6,263,990)</u>
Machinery and Equipment, Net	<u>\$ 1,549,463</u>	<u>\$ 997,039</u>	<u>\$ (39,336)</u>	<u>\$ 2,507,166</u>

Included in machinery and equipment above is equipment recorded under a capital lease in the amount of \$578,732 with accumulated amortization of \$9,646.

Depreciation expense was recorded in the government-wide financial statements in the amount of \$651,343.

Note 6 - Operating Leases

The Sheriff leased various copiers during fiscal year 2009-2010. The monthly lease payments for these copiers ranged from \$135 to \$1,062 per month. The expiration date of the leases range from November 2010 to July 2015. Lease expense for the year was \$52,459. Future minimum lease payments for the leases are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Annual</u> <u>Lease</u> <u>Payments</u>
2011	\$ 51,169
2012	46,350
2013	20,034
2014	4,245
2015	<u>1,350</u>
Total	<u>\$ 123,148</u>

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
NASSAU COUNTY SHERIFF
(Concluded)

Note 7 - Changes in Long-term Debt

The following is a summary of the changes in long-term debt of the Sheriff for the year ended September 30, 2010:

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance September 30, 2010</u>
Capital Lease	\$ 0	\$ 578,732	\$ (127,939)	\$ 450,793
Accrued Compensated				
Absences	940,067	762,214	(724,983)	977,298
Other Postemployment Benefits	<u>315,728</u>	<u>411,149</u>	<u>(95,421)</u>	<u>631,456</u>
Totals	<u>\$ 1,255,795</u>	<u>\$ 1,752,095</u>	<u>\$ (948,343)</u>	<u>\$ 2,059,547</u>

Capital Lease

During 2010, the Sheriff entered into a capital lease agreement with Presidio Technology Capital, LLC to lease server equipment. The lease is to be paid annually at an imputed interest rate of 5.15% and matures on October 1, 2014. Future minimum lease payments under this capital lease are as follows:

<u>Year Ending September 30</u>	<u>Future Lease Payments</u>
2011	\$ 127,939
2012	127,939
2013	127,939
2014	<u>127,939</u>
Total Future Minimum Lease Payments	511,756
(Less Amount Representing Interest)	<u>(60,963)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 450,793</u>

Compensated Absences

Accrued compensated absences represent the vested portion of accrued leave, and are liquidated by the general fund and 911 operations fund. See Note 1 for a summary of the Sheriff's compensated absences policy.

A description of the Sheriff's policies on OPEB are described in Note 4.

The Sheriff's long-term debt is not recorded in the accompanying special purpose financial statements but is recorded in the statement of net assets as part of the basic financial statements of the County.

OTHER FINANCIAL INFORMATION

AGENCY FUNDS

Individual Depositors/Suspense—Accounts for fees charged for the service of process in civil cases. These nonrefundable fees are set by Section 30.231 of the Florida Statutes. On a monthly basis, these fees are deposited to the general fund of the Board. Accounts for the receipt and disbursement of funds received for various purposes such as faulty equipment for inspection and purge money for child support. Disbursement of these funds is made in accordance with the purpose of the receipt.

Inmate Trust—Accounts for inmates' personal cash receipts and disbursements. Individual inmate account records are maintained. This fund makes disbursements requested by inmates to the extent of their available funds.

Federal Inmate—Accounts for funds received for housing federal inmates at the Nassau County Detention Facility. Funds received are paid to the Nassau County Board of County Commissioners.

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2010
NASSAU COUNTY SHERIFF

	<u>Individual Depositors/ Suspense</u>	<u>Inmate Trust</u>	<u>Federal Inmate</u>	<u>Total</u>
Assets				
Cash	\$ 7,435	\$ 22,052	\$ 1	\$ 29,488
Liabilities				
Accounts Payable	0	16,976	0	16,976
Deposits	7,435	5,076	1	12,512
Total Liabilities	<u>\$ 7,435</u>	<u>\$ 22,052</u>	<u>\$ 1</u>	<u>\$ 29,488</u>

OTHER REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable T.L. “Tommy” Seagraves, Jr.
Nassau County Sheriff
Nassau County, Florida

We have audited the special purpose financial statements of each major fund and the aggregate remaining fund information of the Nassau County, Florida, Sheriff (the Sheriff) as of and for the year ended September 30, 2010, and have issued our report thereon dated February 7, 2011 which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency listed below to be a material weakness.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
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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

The Honorable T.L. "Tommy" Seagraves, Jr.
Nassau County Sheriff
Nassau County, Florida

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
(*Concluded*)**

Internal Control Over Financial Reporting (*Concluded*)

■ **Segregation of Duties**

Condition—The duties of signing checks, initiating bank transfers, reconciling bank statements and preparing and posting journal entries were performed by the same employee

Effect—The failure to separate incompatible duties could result in errors or irregularities that might go undetected.

Recommendation—We recommend that incompatible accounting duties be separated among employees where it is feasible to do so.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Sheriff in a separate letter dated February 7, 2011.

The Sheriff's response to the findings identified in our audit is described in the accompanying management's responses. We did not audit the Sheriff's responses and, accordingly, we express no opinion on it.

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

Purvis, Gray and Company, LLP

February 7, 2011
Gainesville, Florida

MANAGEMENT LETTER

The Honorable T.L. "Tommy" Seagraves, Jr.
Nassau County Sheriff
Nassau County, Florida

We have audited the special purpose financial statements of each major fund and the aggregate remaining fund information of the Nassau County, Florida, Sheriff (the Sheriff) as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated February 7, 2011, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our independent auditors' report on internal control over financial reporting and compliance and other matters. Disclosures in that report, which is dated February 7, 2011, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted under the heading prior year findings and recommendations.

Prior Year Findings and Recommendations

■ **Unclaimed Property**

During our review of bank reconciliations, we noted a significant number of outstanding checks over two years old in the inmate trust account and a few checks over one year old in the operating account.

We recommend that efforts be made to return these stale-dated checks to the appropriate payees, or, if unsuccessful, we recommend the Sheriff's office review the provisions of Section 116.21, Florida Statutes, as it relates to unclaimed funds.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Sheriff complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any findings and recommendations to improve financial management. In connection with our audit, we report the following findings:

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The Honorable T.L. "Tommy" Seagraves, Jr.
Nassau County Sheriff
Nassau County, Florida

MANAGEMENT LETTER

(Continued)

Current Year Findings and Recommendations

■ **Inmate Commissary Fees**

In June 2009 the Sheriff negotiated an agreement with Keefe Commissary Network which stipulated Keefe Commissary Network would pay the Sheriff a service fee equal to 25% of adjusted gross sales. During our audit, we noted that from June 2009 through May 2010, the service fee remitted to the Sheriff was calculated based on the previously negotiated rate of 17% of adjusted gross sales. As a result, the Sheriff was underpaid the service fee.

We recommend that the Keefe Commissary Network be contacted to resolve this issue.

■ **Purchasing Policy**

The Sheriff's purchasing policy currently requires that all purchases over \$200 be approved by the Sheriff. In practice, this procedure is not always followed. We recommend the Sheriff amend the purchasing policy to current practice.

In addition, the Sheriff's purchasing policy does not currently require competitive bids to be obtained for significant purchases. In order to ensure the most cost-effective purchases, we recommend that the Sheriff's office consider amending the purchasing policy to require competitive bids for purchases over certain dollar thresholds. The policy should also establish the procedures for obtaining the bids and the documentation that should be maintained for audit purposes.

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

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

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special purpose financial statements. The Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There was one component unit related to the Sheriff which is described in Note 1 of the special purpose financial statements.

The Honorable T.L. "Tommy" Seagraves, Jr.
Nassau County Sheriff
Nassau County, Florida

MANAGEMENT LETTER
(Concluded)

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the Sheriff and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

February 7, 2011
Gainesville, Florida



Nassau County Sheriff's Office

Sheriff T. L. "Tommy" Seagraves, Jr.

February 4, 2011

Purvis Gray & Company
222 Northeast First Street
Gainesville, Fl 32601

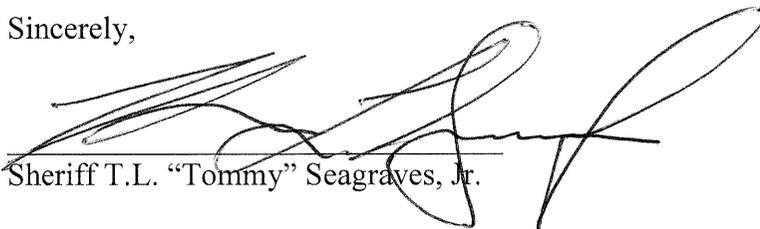
To whom it may concern:

The purpose of this letter is to respond to the Internal Control Reportable Condition found in our 2009-2010 audit. Listed below is the individual reportable condition along with its corresponding response. If you have any further questions or comments, please don't hesitate to contact my office.

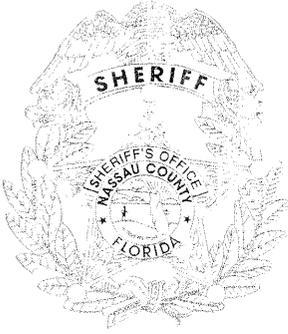
1.) Segregation of Duties

Response: The finance department at the Nassau County Sheriff's Office is very small which makes it difficult to have a complete segregation of all incompatible accounting functions. However, in the future we will assign the duty of reconciling bank statements to a separate employee. We will also continue to try to keep all other incompatible accounting duties separate whenever possible.

Sincerely,



Sheriff T.L. "Tommy" Seagraves, Jr.



Nassau County Sheriff's Office

Sheriff T. L. "Tommy" Seagraves, Jr.

February 4, 2011

Purvis Gray & Company
222 Northeast First Street
Gainesville, FL 32601

To whom it may concern:

The purpose of this letter is to respond to the 2009-2010 Management Letter. Listed below are the individual prior year and current year findings along with their corresponding responses. If you have any further questions or comments, please don't hesitate to contact my office.

1.) Unclaimed Property

Response: We will make every effort to return all stale-dated checks to the appropriate payees. In the event that our efforts are not successful, we will review Florida Statute 116.21 for guidance.

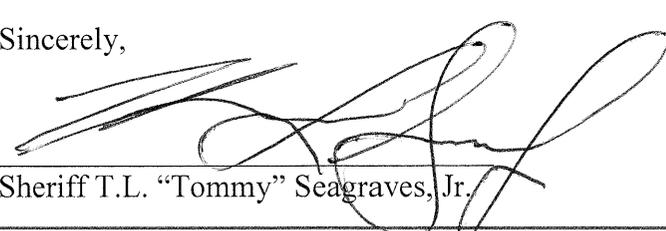
2.) Inmate Commissary Fees

Response: We have determined the total underpayment of service fees from June 2009 through May 2010 equaled \$9,571.42. Keefe Commissary Network has been contacted and we are working with them on a resolution.

3.) Purchasing Policy

Response: The Sheriff's purchasing policy will be changed to read that any single piece of equipment exceeding a cost of \$200 must be approved by the Sheriff. We are also considering a change to our purchasing policy that would require competitive bids to be obtained for significant purchases

Sincerely,


Sheriff T.L. "Tommy" Seagraves, Jr.

Administrative Office • 76001 Bobby Moore Circle, Yulee, FL 32097 • (904) 225-0331 or 225-0332
Callahan Line (904) 879-1563 or 879-2009 • Administrative **Fax** • (904) 225-9189

Detention Center • 76212 Nicholas Cutinha, Yulee, FL 32097 • (904) 225-9185 or (904) 879-0149 **Fax** (904) 225-0831
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