

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

**NASSAU COUNTY SHERIFF
NASSAU COUNTY, FLORIDA**

SEPTEMBER 30, 2013

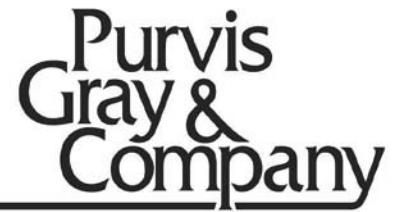
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**NASSAU COUNTY SHERIFF
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SEPTEMBER 30, 2013

TABLE OF CONTENTS

| | |
|--|-------|
| Independent Auditors' Report | 1-3 |
| Special Purpose Financial Statements | |
| Balance Sheet - Governmental Funds..... | 4 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 5 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund..... | 6 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Inmate Commissary Fund | 7 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - 911 Operations Fund | 8 |
| Statement of Fiduciary Assets and Liabilities - Agency Funds | 9 |
| Notes to Special Purpose Financial Statements..... | 10-17 |
| Other Financial Information | |
| Combining Statement of Fiduciary Assets and Liabilities - All Agency Funds..... | 18 |
| Other Reports | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 19-20 |
| Management Letter..... | 21-22 |



INDEPENDENT AUDITORS' REPORT

The Honorable Bill Leeper
Nassau County Sheriff
Nassau County, Florida

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of each major fund and the aggregate remaining fund information of the Nassau County, Florida, Sheriff (the Sheriff), as of and for the year ended September 30, 2013, 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 the financial reporting provisions of the State of Florida Auditor General. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

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

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

Certified Public Accountants

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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 Bill Leeper
Nassau County Sheriff
Nassau County, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Opinions

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

Basis of Accounting

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

Emphasis of Matter

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

Other Matters

Other Financial Information

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

The Honorable Bill Leeper
Nassau County Sheriff
Nassau County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, 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.

Restriction on Use

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

Purvis, Gray and Company, LLP

January 10, 2014
Gainesville, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**NASSAU COUNTY SHERIFF
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

| | Major Funds | | | Sheriff's Investigative | Total Governmental Funds |
|--|-------------------------|------------------------------|---------------------------|------------------------------------|---|
| | General Fund | Inmate Commissary | 911 Operations | | |
| Assets | | | | | |
| Cash on Hand | \$ 0 | \$ 0 | \$ 0 | \$ 11,716 | \$ 11,716 |
| Cash in Bank | 378,175 | 278,928 | 60,973 | 0 | 718,076 |
| Due from Board of County Commissioners | 10,183 | 0 | 0 | 0 | 10,183 |
| Due from Other Governments | 24,223 | 17,646 | 0 | 0 | 41,869 |
| Total Assets | <u>412,581</u> | <u>296,574</u> | <u>60,973</u> | <u>11,716</u> | <u>781,844</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts Payable | 363,258 | 0 | 123 | 0 | 363,381 |
| Due to Other Governments | 6,677 | 0 | 0 | 0 | 6,677 |
| Due to Board of County Commissioners | 42,646 | 0 | 60,850 | 0 | 103,496 |
| Total Liabilities | <u>412,581</u> | <u>0</u> | <u>60,973</u> | <u>0</u> | <u>473,554</u> |
| Fund Balances | | | | | |
| Restricted: | | | | | |
| Inmate Welfare | 0 | 296,574 | 0 | 0 | 296,574 |
| Committed: | | | | | |
| Investigative | 0 | 0 | 0 | 11,716 | 11,716 |
| Total Fund Balances | <u>0</u> | <u>296,574</u> | <u>0</u> | <u>11,716</u> | <u>308,290</u> |
| Total Liabilities and Fund Balances | <u>\$ 412,581</u> | <u>\$ 296,574</u> | <u>\$ 60,973</u> | <u>\$ 11,716</u> | <u>\$ 781,844</u> |

See accompanying notes to financial statements.

**NASSAU COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

| | <u>Major Funds</u> | | | <u>Sheriff's Investigative</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|------------------------------|---------------------------|------------------------------------|---|
| | <u>General Fund</u> | <u>Inmate Commissary</u> | <u>911 Operations</u> | | |
| Revenues | | | | | |
| Miscellaneous | \$ 162,133 | \$ 132,900 | \$ 3,782 | \$ 0 | \$ 298,815 |
| Total Revenues | <u>162,133</u> | <u>132,900</u> | <u>3,782</u> | <u>0</u> | <u>298,815</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Court-related: | | | | | |
| Personal Services | 672,122 | 0 | 0 | 0 | 672,122 |
| Operating Expenditures | 13,774 | 0 | 0 | 0 | 13,774 |
| Public Safety: | | | | | |
| Personal Services | 9,891,930 | 0 | 132,072 | 0 | 10,024,002 |
| Operating Expenditures | 3,823,969 | 81,416 | 131,128 | 18,914 | 4,055,427 |
| Capital Outlay | 384,017 | 13,934 | 8,596 | 0 | 406,547 |
| Debt Service: | | | | | |
| Principal | 115,441 | 0 | 0 | 0 | 115,441 |
| Interest | 12,497 | 0 | 0 | 0 | 12,497 |
| (Total Expenditures) | <u>(14,913,750)</u> | <u>(95,350)</u> | <u>(271,796)</u> | <u>(18,914)</u> | <u>(15,299,810)</u> |
| (Deficiency) Excess of Revenues (Under) Over Expenditures | <u>(14,751,617)</u> | <u>37,550</u> | <u>(268,014)</u> | <u>(18,914)</u> | <u>(15,000,995)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in from Board of County Commissioners | 14,777,373 | 0 | 328,864 | 20,000 | 15,126,237 |
| Transfers (out) to Board of County Commissioners | (25,756) | 0 | (60,850) | 0 | (86,606) |
| Total Other Financing Sources (Uses) | <u>14,751,617</u> | <u>0</u> | <u>268,014</u> | <u>20,000</u> | <u>15,039,631</u> |
| Net Change in Fund Balance | 0 | 37,550 | 0 | 1,086 | 38,636 |
| Fund Balance, Beginning of Year | <u>0</u> | <u>259,024</u> | <u>0</u> | <u>10,630</u> | <u>269,654</u> |
| Fund Balance, End of Year | <u>\$ 0</u> | <u>\$ 296,574</u> | <u>\$ 0</u> | <u>\$ 11,716</u> | <u>\$ 308,290</u> |

See accompanying notes to financial statements.

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

| | General Fund | | | Variance With Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Miscellaneous | \$ 0 | \$ 162,133 | \$ 162,133 | \$ 0 |
| Total Revenues | <u>0</u> | <u>162,133</u> | <u>162,133</u> | <u>0</u> |
| Expenditures | | | | |
| Current: | | | | |
| Court-related: | | | | |
| Personal Services | 611,410 | 672,122 | 672,122 | 0 |
| Operating Expenditures | 15,373 | 13,774 | 13,774 | 0 |
| Public Safety: | | | | |
| Personal Services | 10,393,256 | 9,891,930 | 9,891,930 | 0 |
| Operating Expenditures | 3,541,367 | 3,823,969 | 3,823,969 | 0 |
| Capital Outlay | 10,000 | 384,017 | 384,017 | 0 |
| Debt Service: | | | | |
| Principal | 115,441 | 115,441 | 115,441 | 0 |
| Interest | 12,498 | 12,497 | 12,497 | 0 |
| (Total Expenditures) | <u>(14,699,345)</u> | <u>(14,913,750)</u> | <u>(14,913,750)</u> | <u>0</u> |
| (Deficiency) of Revenues (Under) | | | | |
| Expenditures | <u>(14,699,345)</u> | <u>(14,751,617)</u> | <u>(14,751,617)</u> | <u>0</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in from Board of County Commissioners | 14,699,345 | 14,777,373 | 14,777,373 | 0 |
| Transfers (out) to Board of County Commissioners | 0 | (25,756) | (25,756) | 0 |
| Total Other Financing Sources (Uses) | <u>14,699,345</u> | <u>14,751,617</u> | <u>14,751,617</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.

NASSAU COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - INMATE COMMISSARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | <u>Inmate Commissary Fund</u> | | | Variance With Final Budget Positive (Negative) |
|--|-------------------------------|-------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Miscellaneous | \$ 0 | \$ 132,900 | \$ 132,900 | \$ 0 |
| Total Revenues | <u>0</u> | <u>132,900</u> | <u>132,900</u> | <u>0</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Safety: | | | | |
| Operating Expenditures | 0 | 81,416 | 81,416 | 0 |
| Capital Outlay | <u>0</u> | <u>13,934</u> | <u>13,934</u> | <u>0</u> |
| (Total Expenditures) | <u>0</u> | <u>(95,350)</u> | <u>(95,350)</u> | <u>0</u> |
| Net Change in Fund Balance | 0 | 37,550 | 37,550 | 0 |
| Fund Balance, Beginning of Year | <u>0</u> | <u>259,024</u> | <u>259,024</u> | <u>0</u> |
| Fund Balance, End of Year | <u>\$ 0</u> | <u>\$ 296,574</u> | <u>\$ 296,574</u> | <u>\$ 0</u> |

See accompanying notes to financial statements.

NASSAU COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - 911 OPERATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | 911 Operations Fund | | | Variance With Final Budget Positive (Negative) |
|--|----------------------------|------------------|---------------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Miscellaneous | \$ 0 | \$ 3,782 | \$ 3,782 | \$ 0 |
| Total Revenues | <u>0</u> | <u>3,782</u> | <u>3,782</u> | <u>0</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Safety: | | | | |
| Personal Services | 142,231 | 132,072 | 132,072 | 0 |
| Operating Expenditures | 186,633 | 131,128 | 131,128 | 0 |
| Capital Outlay | 0 | 8,596 | 8,596 | 0 |
| (Total Expenditures) | <u>(328,864)</u> | <u>(271,796)</u> | <u>(271,796)</u> | <u>0</u> |
| (Deficiency) of Revenues (Under) | | | | |
| Expenditures | <u>(328,864)</u> | <u>(268,014)</u> | <u>(268,014)</u> | <u>0</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in from Board of County Commissioners | 328,864 | 328,864 | 328,864 | 0 |
| Transfers (out) to Board of County Commissioners | 0 | (60,850) | (60,850) | 0 |
| Total Other Financing Sources (Uses) | <u>328,864</u> | <u>268,014</u> | <u>268,014</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.

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

Assets

| | |
|------|------------------|
| Cash | <u>\$ 40,888</u> |
|------|------------------|

Liabilities

| | |
|--------------------------------------|---------------|
| Accounts Payable | 21,192 |
| Deposits | 3,054 |
| Due to Board of County Commissioners | 155 |
| Due to Other Governments | <u>16,487</u> |

| | |
|--------------------------|------------------|
| Total Liabilities | <u>\$ 40,888</u> |
|--------------------------|------------------|

See accompanying notes to financial statements.

**NOTES TO SPECIAL PURPOSE
FINANCIAL STATEMENTS**

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

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.

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*.

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, 2013, and the changes in its financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. 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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

■ **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.
 - ▶ **911 Operations Fund**—This fund accounts for the proceeds of telephone charges collected 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. The Sheriff's Investigative 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.

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.

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

Note 1 - Summary of Significant Accounting Policies *(Continued)*

Budgetary Requirement

Governmental fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the Florida Statutes. The Inmate Commissary fund and the 911 Operations fund expenditures are restricted by statute; therefore, these budgets are not approved by the Board.

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.

In addition, the Sheriff maintains the following policy for sick leave. Sick leave is accumulated at the rate of eight hours per month. An employee will not be paid out any sick time upon termination of employment.

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.

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

Note 1 - Summary of Significant Accounting Policies *(Continued)*

Risk Management *(Concluded)*

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 \$10,000,000 for professional liability and \$10,000,000 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.

Fund Balance Reporting

The Sheriff implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) as required. The purpose of GASB 54 is to improve the consistency and usefulness of fund balance information to the financial statement user. The statement establishes 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. The Sheriff does not have any nonspendable funds.
- ***Restricted***—This component of fund balance 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., ordinance or resolution) of the County's governing board. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (e.g., ordinance or resolution) it employed previously to constrain those amounts.
- ***Assigned***—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the Sheriff, or by an individual or body to whom the Sheriff has delegated this responsibility. By definition, fund balances are also assigned to the extent that they are needed to finance a subsequent year's budget deficit.
- ***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.

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

Note 1 - Summary of Significant Accounting Policies (Concluded)

Fund Balance Reporting (Concluded)

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

Note 2 - Cash

Cash Deposits

At September 30, 2013, the carrying amount of the Sheriff's deposits was \$758,964 and the bank balance was \$1,156,407. 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.

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.

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

Note 3 - Employee Benefits (Concluded)

Defined Benefit Pension Plan (Concluded)

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 6.95% of the compensation for regular members, 19.06% for special risk, and 33.03% for County officials. As of July 1, 2011, employees are required to contribute 3% of their compensation to the plan. The Sheriff's contributions to the System for the years ended September 30, 2013, 2012, and 2011, were \$1,116,352, \$960,496, and \$1,572,861, respectively, equal to the required contributions for each year.

Note 4 - Other Postemployment Benefits (OPEB)

The County offers certain postemployment health care benefits that are considered part of an Other Post Employment Benefit (OPEB) plan for financial accounting purposes. 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.

Currently, the Sheriff has 175 active employees and 15 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 \$2,035,829. 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:

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

Note 5 - Capital Assets (Concluded)

| | Balance October 1, 2012 | Increase | Decrease | Balance September 30, 2013 |
|-------------------------------------|--|-------------------|--------------------|---|
| Capital Assets | | | | |
| Machinery and Equipment | \$ 9,222,780 | \$ 962,831 | \$ (1,507,500) | \$ 8,678,111 |
| Accumulated Depreciation | <u>(7,607,614)</u> | <u>(839,918)</u> | <u>1,490,197</u> | <u>(6,957,335)</u> |
| Machinery and Equipment, Net | <u>\$ 1,615,166</u> | <u>\$ 122,913</u> | <u>\$ (17,303)</u> | <u>\$ 1,720,776</u> |

Included in machinery and equipment above is equipment recorded under a capital lease in the amount of \$578,932 with accumulated amortization of \$356,885.

Depreciation expense was recorded in the government-wide financial statements in the amount of \$839,918.

Note 6 - Operating Leases

The Sheriff leased various copiers during fiscal year 2012-2013. The monthly lease payments for these copiers ranged from \$135 to \$950 per month. The expiration date of the leases range from May 2013 to February 2017. Lease expense for the year under these leases was \$53,879. Future minimum lease payments for the leases are as follows:

| Year Ending September 30 | Annual Lease Payments |
|-------------------------------------|--------------------------------------|
| 2014 | \$ 51,449 |
| 2015 | 47,443 |
| 2016 | 42,943 |
| 2017 | <u>8,780</u> |
| Total | <u>\$ 150,615</u> |

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, 2013:

| | Balance October 1, 2012 | Additions | (Deletions) | Balance September 30, 2013 |
|-------------------------------|--|---------------------|-----------------------|---|
| Capital Lease | \$ 236,971 | \$ 0 | \$ (115,441) | \$ 121,530 |
| Accrued Compensated Absences | 917,114 | 967,056 | (1,139,680) | 744,490 |
| Other Postemployment Benefits | <u>1,897,284</u> | <u>138,545</u> | <u>0</u> | <u>2,035,829</u> |
| Totals | <u>\$ 3,051,369</u> | <u>\$ 1,105,601</u> | <u>\$ (1,255,121)</u> | <u>\$ 2,901,849</u> |

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

Note 7 - Changes in Long-term Debt (Concluded)

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:

| Year Ending September 30 | Future Lease Payments |
|---|--------------------------------------|
| 2014 | \$ 127,939 |
| Total Future Minimum Lease Payments | 127,939 |
| (Less Amount Representing Interest) | <u>(6,409)</u> |
| Present Value of Future Minimum Lease Payments | <u>\$ 121,530</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.

Note 8 - Restatement

The Sheriff adopted GASB Statement No. 61 *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, in the current year. As a result the Sheriff's Foundation of Nassau County is no longer considered to be a blended component unit since it does not meet the financial benefit or burden requirement. As a result, the effect of the restatement was to reduce restricted fund balance as of October 1, 2012, by \$11,284.

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.

Abandoned Property—Accounts for funds received from the conversion of abandoned property to cash. These funds are required to be submitted to the Nassau County School Board.

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

| | <u>Individual Depositors/ Suspense</u> | <u>Inmate Trust</u> | <u>Federal Inmate</u> | <u>Abandoned Property</u> | <u>Total</u> |
|---|--|-------------------------|---------------------------|-------------------------------|------------------|
| Assets | | | | | |
| Cash | \$ 5,320 | \$ 24,400 | \$ 4,675 | \$ 6,493 | \$ 40,888 |
| Liabilities | | | | | |
| Accounts Payable | 0 | 21,192 | 0 | 0 | 21,192 |
| Deposits | 0 | 3,053 | 0 | 0 | 3,053 |
| Due to Board of County Commissioners | 0 | 155 | 0 | 0 | 155 |
| Due to Other Governments | 5,320 | 0 | 4,675 | 6,493 | 16,488 |
| Total Liabilities | <u>\$ 5,320</u> | <u>\$ 24,400</u> | <u>\$ 4,675</u> | <u>\$ 6,493</u> | <u>\$ 40,888</u> |

OTHER REPORTS

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

The Honorable Bill Leeper
Nassau County Sheriff
Nassau County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the special purpose financial statements of each major fund and the aggregate remaining fund information of the Nassau County, Florida, Sheriff (the Sheriff), as of and for the year ended September 30, 2013, and the related notes to the special purpose financial statements, and have issued our report thereon dated January 10, 2014, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

Internal Control Over Financial Reporting

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

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

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

Certified Public Accountants

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

The Honorable Bill Leeper
Nassau County Sheriff
Nassau County, Florida

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's 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*.

Purpose of This Report

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

Purvis, Gray and Company, LLP

January 10, 2014
Gainesville, Florida

MANAGEMENT LETTER

The Honorable Bill Leeper
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, 2013, and have issued our report thereon dated January 10, 2014, 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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated January 10, 2014, 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' reports or schedule:

- 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.
- 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 had no such findings.
- Section 10.554(1)(i)4., *Rules of the 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 determination of financial statement amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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The Honorable Bill Leeper
Nassau County Sheriff
Nassau County, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)5., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in 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 were no component units related to the Sheriff.

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, Federal and other granting agencies, and applicable management, 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

January 10, 2014
Gainesville, Florida