

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL REPORTS**

**YEAR ENDED SEPTEMBER 30, 2011**

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**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
TABLE OF CONTENTS  
YEAR ENDED SEPTEMBER 30, 2011**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>SPECIAL-PURPOSE FINANCIAL STATEMENTS</b>	
<b>SPECIAL-PURPOSE BALANCE SHEET – GOVERNMENTAL FUNDS AND     INTERNAL SERVICE FUND</b>	<b>3</b>
<b>SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENDITURES AND     CHANGES IN FUND BALANCE – GOVERNMENTAL FUND TYPES</b>	<b>5</b>
<b>SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENDITURES AND     CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL     FUND</b>	<b>7</b>
<b>SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENSES AND     CHANGES IN NET ASSETS – PROPRIETARY FUND TYPE</b>	<b>8</b>
<b>SPECIAL-PURPOSE STATEMENT OF CASH FLOWS – PROPRIETARY     FUND TYPE</b>	<b>9</b>
<b>SPECIAL-PURPOSE STATEMENT OF FIDUCIARY NET ASSETS –     FIDUCIARY FUNDS</b>	<b>10</b>
<b>NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS</b>	<b>11</b>
<b>COMBINING INDIVIDUAL FUND SPECIAL-PURPOSE FINANCIAL STATEMENTS</b>	
<b>AGENCY FUNDS DESCRIPTIONS</b>	<b>23</b>
<b>SPECIAL-PURPOSE COMBINING STATEMENT OF FIDUCIARY NET     ASSETS – FIDUCIARY FUNDS</b>	<b>24</b>
<b>SPECIAL-PURPOSE COMBINING SCHEDULE OF CHANGES IN NET     ASSETS – ALL AGENCY FUNDS</b>	<b>26</b>
<b>SUPPLEMENTAL REPORTS</b>	
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND     ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF     FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH     GOVERNMENT AUDITING STANDARDS</b>	<b>28</b>
<b>MANAGEMENT LETTER</b>	<b>30</b>

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CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## INDEPENDENT AUDITORS' REPORT

Honorable Susan Benton  
Sheriff  
Highlands County, Florida

We have audited the special-purpose financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Highlands County, Florida (Sheriff) as of and for the year ended September 30, 2011. These special-purpose financial statements are the responsibility of the management of the Sheriff. Our responsibility is to express opinions on these special-purpose financial statements based on our audit.

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

As discussed in Note 1 to the special-purpose financial statements, the special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the Rules of the Auditor General, State of Florida, and are not intended to be a complete presentation under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Additionally, the special-purpose statements present only the Sheriff and are not intended to present fairly the financial position and changes in financial position of Highlands County, Florida, in conformity with accounting principles generally accepted in the United States.

In our opinion, the special-purpose 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Susan Benton  
Sheriff  
Highlands County, Florida

As discussed in Note 1, the Sheriff has adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended September 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2012 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

  
**CliftonLarsonAllen LLP**

Sebring, Florida  
January 12, 2012

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**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE BALANCE SHEET  
GOVERNMENTAL FUNDS AND INTERNAL SERVICE FUND  
SEPTEMBER 30, 2011**

	General Fund	Inmate Welfare Fund	Non-Major Fund Community Donations Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,898,552	\$ 208,815	\$ 3,285
Investments	12,951	-	-
Accounts Receivable	7,438	20,871	-
Due from Other Governmental Units	13,304	-	-
Other Assets	10,000	-	-
<b>Total Assets</b>	<b>\$ 1,942,245</b>	<b>\$ 229,686</b>	<b>\$ 3,285</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Vouchers Payable	\$ 525,843	\$ 934	\$ -
Due to Board of County Commissioners	981,075	-	-
Due to Other Governmental Units	21,926	-	-
Accrued Wages Payable	413,401	657	-
Accrued Compensated Absences Payable	-	-	-
<b>Total Liabilities</b>	<b>1,942,245</b>	<b>1,591</b>	<b>-</b>
<b>EQUITY</b>			
Net Assets:			
Unrestricted	-	-	-
Fund Balance:			
Restricted	-	228,095	3,285
<b>Total Equity</b>	<b>-</b>	<b>228,095</b>	<b>3,285</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,942,245</b>	<b>\$ 229,686</b>	<b>\$ 3,285</b>

See accompanying Notes to Special-Purpose Financial Statements.



Total Governmental Funds	Governmental Activities - Internal Service Fund Type
\$ 2,110,652	\$ 1,772,665
12,951	-
28,309	-
13,304	-
10,000	-
<u>\$ 2,175,216</u>	<u>\$ 1,772,665</u>
\$ 526,777	\$ -
981,075	-
21,926	-
414,058	-
-	1,772,665
<u>1,943,836</u>	<u>1,772,665</u>
-	-
231,380	-
<u>231,380</u>	<u>-</u>
<u>\$ 2,175,216</u>	<u>\$ 1,772,665</u>

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS TYPES  
YEAR ENDED SEPTEMBER 30, 2011**

	General Fund	Inmate Welfare Fund
<b>REVENUES</b>		
<b>Intergovernmental:</b>		
Appropriation from Board of County Commissioners	\$ 26,449,485	\$ -
<b>Miscellaneous Revenues:</b>		
Commissary Sales	-	34,536
Net Change in Fair Value of Investments	(2,569)	-
Miscellaneous Revenues	-	172,262
Total Revenues	26,446,916	206,798
<b>EXPENDITURES</b>		
<b>Court Related:</b>		
Courthouse Security:		
Personal Services	946,521	-
Operating Expenditures	12,429	-
Total Court Related	958,950	-
<b>Public Safety:</b>		
Law Enforcement:		
Personal Services	12,768,635	-
Operating Expenditures	2,413,528	-
Capital Outlay	613,228	-
Total Law Enforcement	15,795,391	-
<b>Corrections and Detention:</b>		
Personal Services	7,891,763	71,525
Operating Expenditures	768,606	89,146
Capital Outlay	51,131	-
Total Corrections and Detention	8,711,500	160,671
Total Expenditures	25,465,841	160,671
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	981,075	46,127
<b>OTHER FINANCING USES</b>		
Unexpended Budget Balance Reverting to Board of County Commissioners	(981,075)	-
<b>NET CHANGE IN FUND BALANCE</b>	-	46,127
Fund Balance - October 1, 2010	-	181,968
<b>FUND BALANCE - SEPTEMBER 30, 2011</b>	\$ -	\$ 228,095

See accompanying Notes to Special-Purpose Financial Statements.

<u>Non-Major Fund</u> Community Donations Fund	<u>Total Governmental Funds</u>
\$ -	\$ 26,449,485
-	34,536
-	(2,569)
7,342	179,604
<u>7,342</u>	<u>26,661,056</u>
-	946,521
-	12,429
<u>-</u>	<u>958,950</u>
-	12,768,635
7,127	2,420,655
-	613,228
<u>7,127</u>	<u>15,802,518</u>
-	7,963,288
-	857,752
-	51,131
<u>-</u>	<u>8,872,171</u>
<u>7,127</u>	<u>25,633,639</u>
215	1,027,417
<u>-</u>	<u>(981,075)</u>
215	46,342
3,070	185,038
<u>\$ 3,285</u>	<u>\$ 231,380</u>

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2011**

	General Fund			Variance - Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
Appropriation from Board of County Commissioners	\$ 24,413,678	\$ 26,594,485	\$ 26,449,485	\$ (145,000)
<b>Miscellaneous:</b>				
Net Change in Fair Value of Investments	-	-	(2,569)	(2,569)
Total Revenues	<u>24,413,678</u>	<u>26,594,485</u>	<u>26,446,916</u>	<u>(147,569)</u>
<b>EXPENDITURES</b>				
<b>Court Related:</b>				
Courthouse Security:				
Personal Services	1,015,794	1,020,844	946,521	74,323
Operating Expenditures	16,608	17,008	12,429	4,579
Total Court Related	<u>1,032,402</u>	<u>1,037,852</u>	<u>958,950</u>	<u>78,902</u>
<b>Public Safety:</b>				
<b>Law Enforcement:</b>				
Personal Services	12,377,496	12,908,837	12,768,635	140,202
Operating Expenditures	2,073,512	2,831,515	2,413,528	417,987
Capital Outlay	-	616,966	613,228	3,738
Total Law Enforcement	<u>14,451,008</u>	<u>16,357,318</u>	<u>15,795,391</u>	<u>561,927</u>
<b>Corrections and Detention:</b>				
Personal Services	8,127,684	8,197,020	7,891,763	305,257
Operating Expenditures	757,184	804,351	768,606	35,745
Capital Outlay	-	52,944	51,131	1,813
Total Corrections and Detention	<u>8,884,868</u>	<u>9,054,315</u>	<u>8,711,500</u>	<u>342,815</u>
Total Expenditures	<u>24,368,278</u>	<u>26,449,485</u>	<u>25,465,841</u>	<u>983,644</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	45,400	145,000	981,075	836,075
<b>OTHER FINANCING (USES)</b>				
Unexpended Budget Balance Reverting to Board of County Commissioners	-	-	(981,075)	(981,075)
<b>NET CHANGE IN FUND BALANCE</b>	45,400	145,000	-	(145,000)
Fund Balance - October 1, 2010	-	-	-	-
<b>FUND BALANCE - SEPTEMBER 30, 2011</b>	<u>\$ 45,400</u>	<u>\$ 145,000</u>	<u>\$ -</u>	<u>\$ (145,000)</u>

See accompanying Notes to Special-Purpose Financial Statements.

**SHERIFF**  
**HIGHLANDS COUNTY, FLORIDA**  
**SPECIAL-PURPOSE STATEMENT OF REVENUES,**  
**EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND TYPE**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Governmental Activities- Internal Service Fund Type <hr/> Compensated Absences <hr/>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 266,458
<b>OPERATING EXPENSES</b>	
Compensated Absences Expense	<hr/> 266,458
<b>CHANGE IN NET ASSETS</b>	-
Net Assets - October 1, 2010	<hr/> -
<b>NET ASSETS - SEPTEMBER 30, 2011</b>	<hr/> <hr/> \$ -

*See accompanying Notes to Special-Purpose Financial Statements.*

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED SEPTEMBER 30, 2011**

	Governmental Activities- Internal Service Fund Type <hr/> Compensated Absences <hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Charges for Services	\$ 266,458
Cash paid to Employees for Services	(375,395)
Net Cash Used by Operating Activities	<hr/> (108,937) <hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(108,937)
Cash and Cash Equivalents - October 1, 2010	<hr/> 1,881,602 <hr/>
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2011</b>	<hr/> <b>\$ 1,772,665</b> <hr/>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH  USED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ -
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Decrease in Compensated Absences	<hr/> (108,937) <hr/>
Net Cash Used by Operating Activities	<hr/> <b>\$ (108,937)</b> <hr/>

See accompanying Notes to Special-Purpose Financial Statements.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2011**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 110,978
Due from Other Governmental Units	379
Accounts Receivable	<u>5,077</u>
Total Assets	<u><u>\$ 116,434</u></u>
 <b>LIABILITIES</b>	
Vouchers Payable	\$ 2,184
Due to Others	97,101
Due to Other Governmental Units	15,899
Deposits	<u>1,250</u>
Total Liabilities	<u><u>\$ 116,434</u></u>

*See accompanying Notes to Special-Purpose Financial Statements.*

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Highlands County is a non-charter County established April 23, 1921 under the laws of Florida 1921, Chapter 8513. The Sheriff is one of six constitutional officers elected to serve within the County and receives a significant portion of her revenue from the Board of County Commissioners, Highlands County, Florida.

The Sheriff is elected every four years to serve as the Keeper of the Peace for Highlands County.

The Sheriff is a "budget" officer in that all of the Sheriff's operating revenues are received from the Board of County Commissioners in the form of an appropriation. Any fees collected by the office in carrying out duties as Sheriff are remitted to the Board at the end of each month. The Sheriff is also required to submit back to the Board any excess revenues over expenditures as of September 30 of each year.

The accompanying summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the financial statements. The following is a summary of the more significant policies:

**Basis of Presentation**

These financial statements have been prepared for the purpose of complying with Section 218.39(2), Florida Statutes, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*, which requires the Sheriff to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures, including management's discussion and analysis, these financial statements do not constitute a complete presentation of financial position of the Sheriff as of September 30, 2011 and the changes in its financial position for the year ending, 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 accounting principles generally accepted in the United States of America.

**Fund Accounting**

The accounts of the Sheriff are organized on the basis of fund types, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The purpose of the Sheriff's various funds is as follows:



**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

**Major Governmental Funds**

**General Fund** – The General Fund is the general operating fund of the Sheriff. The majority of the Sheriff's day-to-day operations are accounted for in this fund. It is used to account for all financial resources not required to be accounted for in another fund. Appropriations received from the Board of County Commissioners are recorded in this fund. Expenditures for general government services are paid through this fund.

**Inmate Welfare Fund** – The Inmate Welfare fund is the special revenue fund used to account for the commissary operated at the County jail. Revenues are provided by sales of products such as candy, cigarettes and toothpaste to the inmates. Profits from these sales can only be spent for the benefit of the inmates.

**Nonmajor Governmental Fund**

**Community Donations Fund** – The Community Donations fund is a special revenue fund used to account for public donations received by the Sheriff's office.

**Proprietary Fund**

**Internal Service Fund** – The Internal Service Fund is used to account for the accumulation of funded compensated absences.

Management has elected to apply to the Proprietary Fund all Statements of Financial Accounting Standards and Interpretations issued on or before November 30, 1989 except for those that conflict with or contradict statements of *Government Accounting Standards*. Management has elected not to apply Financial Accounting Standards Board Pronouncements issued after November 30, 1989.

**Fiduciary Funds**

**Agency Funds** – Agency Funds are used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

**Capital Assets**

All capital assets purchased are recorded as expenditures in the general fund at the time of purchase. The Sheriff notifies the Board of County Commissioners of capital assets purchased and the original cost is recorded in the capital asset records of Highlands County as a whole. The Sheriff may not dispose of any capital assets in her custody. The Sheriff is to notify the Board of County Commissioners of any unused or obsolete assets and it is the Board of County Commissioners' responsibility to dispose of these assets in accordance with the various Florida Statutes.

**Measurement Focus**

**Governmental Fund Types** – The General Fund and special revenue funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported unassigned fund balances (net current assets) are considered a measure of "available, spendable or appropriable resources." Governmental fund type operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

**Proprietary Fund Types** – The Internal Service Fund is accounted for on a cost of services measurement focus which is referred to as a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**Basis of Accounting**

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

Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt which is recognized when due.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

The accrual basis of accounting is utilized by the fiduciary fund and Proprietary Fund Type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Budgets and Budgetary Data**

The following are the procedures followed in establishing the budget for the Sheriff's office:

1. On or before June 1 of each year, the Sheriff submits to the Board of County Commissioners a tentative budget for the ensuing fiscal year.
2. Within 15 days after certification of the ad valorem tax roll by the Property Sheriff, the County Budget Officer submits to the Board a proposed county-wide operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
3. By Board resolution, a tentative budget is submitted to the public. Public hearings are held to obtain taxpayers' comments.
4. Within 20 days after adoption of the tentative budget, a final budget is submitted for review and adoption at a final public hearing.
5. Prior to, or on, September 30, the County's operating budget is legally enacted through passage of a resolution.
6. The Sheriff receives her budgeted revenues from the Board in monthly installments beginning in October.
7. Section 129.07, Florida Statutes, provides that only expenditures in excess of total fund budgets are unlawful. However, because the Sheriff acts on all budget changes between departments, this becomes the level of control.
8. Formal budgetary integration is employed as a management control device during the year for all Governmental Fund Types.
9. Annual appropriated budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
10. All appropriations lapse at the close of the fiscal year.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Sheriff considers the following as cash and cash equivalents:

1. Cash on hand, demand deposits; and
2. Deposits in the Local Government Surplus Funds Trust Fund (Florida PRIME) under the management of the State Board of Administration.

**Investments**

The Sheriff invests surplus public funds in accordance with Section 218.415, Florida Statutes.

**Compensated Absences**

Employees of the Sheriff earn annual and sick leave in varying amounts. Upon retirement, death, resignation or separation in good standing, employees are eligible to receive payment at their current rate of pay 100% of accumulated annual leave.

There is no limit on the amount of sick leave that can be accumulated by an employee. The limit of lump-sum reimbursements of sick leave credits is based on years of continuous service. Employees with ten or more years' service upon termination of employment are eligible to receive payment of up to 2,080 hours of accumulated sick leave in varying percentage amounts up to 50% at their current rate of pay. In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. Annual and sick leave credits for the Sheriff's Office employees have been fully funded and are recorded as an expenditure in the Internal Service Fund. No liability has been recorded for the nonvesting accumulating rights to receive sick leave pay benefits.

**Fund Balance**

Governmental funds report fund balances as either spendable or nonspendable. Spendable fund balances are further classified based on the extent to which there are external and internal constraints on the spending of the fund balances. The classifications of fund balances are described as follows:

**Nonspendable Fund Balance** – Amounts that cannot be spent because they are either not in spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

**Restricted Fund Balance** – Amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. The Sheriff is reporting restricted fund balances in the Inmate Welfare fund.

**Committed Fund Balance** – Amounts that can be spent only for specific purposes determined by a formal action of the Sheriff's highest level of decision-making authority.

**Assigned Fund Balance** – Amounts the Sheriff intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

**Unassigned Fund Balance** – Amounts that are available for any purpose; these amounts can be reported only in the Sheriff's General Fund.

When both restricted and unrestricted resources are available for use, it is the Sheriff's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available. The Board of County Commissioners adopted a fund balance policy for the county as a whole. The Sheriff does not have a separate fund balance policy.

**Unexpended Budget Balance Reverting to Board of County Commissioners**

Chapter 218, Florida Statutes, requires that any excess of revenues over expenditures in the General Fund held by the Sheriff at the end of each fiscal year shall be remitted to the Board of County Commissioners. Therefore, the excess of revenues over expenditures in the General Fund at the end of each fiscal year is reflected as unexpended budget balance reverting to Board of County Commissioners on the statement of revenues, expenditures and changes in fund balance and the related liability is included in due to Board of County Commissioners.

**Use of Estimates**

The preparation of the special-purpose fund financial statements is in conformity with accounting practices prescribed by the Auditor General, State of Florida, and requires management to make use of estimates that affect the reported amounts in the special-purpose financial statements. Actual results could differ from estimates.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Post Employment Benefit Obligations**

Other postemployment benefit obligations are reported in conformity with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The basic premise of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. The Sheriff's employees are included as part of the Other Postemployment Health Benefits Plan (OPEB plan) administered by the Board and the Constitutional Officers of the County. The OPEB plan currently covers certain eligible retirees of the Board and the Constitutional Officers of the County. Retirees participating in the group insurance plans offered by the County are required to contribute 100% of the active premiums. Accounting for OPEB under GASB No. 45 results in the County reporting a significant actuarially-based liability for benefits.

**Implementation of Governmental Accounting Standards**

The Sheriff implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions* during the fiscal year ended September 30, 2011. The requirements of this statement are effective for financial statement periods beginning after June 15, 2010. GASB 54 provides more detailed fund balance classifications than in the past, and it clarifies the existing governmental fund type definitions. It bases the divisions of fund balance on the types of constraints which limit the use of resources reported in governmental funds. These individual classifications are described in the Fund Balance section of this footnote.

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and cash equivalents at September 30, 2011 consist of:

Demand Deposits	\$ 3,978,730
Petty Cash and Change Fund	1,125
Florida PRIME	14,440
Total	<u>\$ 3,994,295</u>

The entire amount of the demand deposits is deposited in a State of Florida qualified depository and, therefore, is fully collateralized.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Sheriff's monies are deposited in banks designated as qualified public depositories by the Florida Department of Insurance and State Treasurer. Therefore, the Sheriff's total deposits are insured by the Florida Depository Insurance Corporation and the Bureau of Collateral Securities, Division of Treasury, Florida Department of Insurance. The law requires the State Treasurer to ensure that funds are entirely collateralized throughout the fiscal year.

Collateral is provided for demand deposits through the Florida Security for Public Deposits Act. This law establishes guidelines for qualification and participation by banks' and savings associations' procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under this law, the qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance.

Additional collateral, up to a maximum of 125%, may be required if deemed necessary under the conditions set forth in this law. Eligible collateral consists of obligations of the United States and its agencies and obligations of states and their local political subdivisions and unaffiliated corporations.

Obligations pledged to secure deposits must be delivered to the State Treasurer or with the approval of the State Treasurer, to a bank, savings association or trust company provided a power of attorney is delivered to the State Treasurer. On a monthly basis, the State Treasurer determines that the collateral has a market value adequate to cover the deposits under the provisions of this law.

The Sheriff invests funds throughout the year with Florida PRIME, an investment pool administered by the State Board of Administration, under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2011, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 22.7% of Florida PRIME's portfolio at September 30, 2011.

Florida PRIME is considered to be in a Rule 2a7-like pool and is reported, at amortized cost, as a cash equivalent. On September 30, 2011, Standard and Poor's Ratings Services assigned the Florida PRIME an "AAAm" principal stability funding rating. The weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2011 was 38 days.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

The Sheriff also has funds invested in the Fund B Surplus Trust Fund (Fund B). Fund B is accounted for as a fluctuating NAV pool. The Fair Value factor for September 30, 2011 was .7568386. As of September 30, 2011, the Sheriff has \$12,951 invested in Fund B. The weighted average life (WAL) of Fund B at September 30, 2011 was 4.82 years.

**NOTE 3 LEASE COMMITMENTS**

The Sheriff entered into a non-cancelable operating lease for its office space and storage unit at the Liberty Star Plaza for a three year term commencing on August 30, 2009 with renewal options available. The lease provides for fixed minimum rent payments with a 3% increase per year during any renewal term. The lease expenses were approximately \$132,000 for fiscal year 2011. The future minimum annual rental commitment for fiscal year 2012 is approximately \$121,000.

**NOTE 4 PERSONNEL COMMITMENTS**

Employees of the Sheriff earn annual leave and sick leave in varying amounts. In the event of retirement or termination of employment, an employee is paid for accumulated leave credits unused. Employees are also paid for accumulated sick leave benefits at varying amounts based on years of service. The cash benefit of these compensated absences is determined by multiplying the employee's current wage rate by the number of unused credits.

The following shows the change in compensated absences for the fiscal year ended September 30, 2011:

Compensated Absences - September 30,	\$ 1,881,602
Leave Earned by Employees	266,458
Payments to Employees	<u>(375,395)</u>
Compensated Absences - September 30,	<u><u>\$ 1,772,665</u></u>



**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 5 PENSION PLAN**

Substantially all full-time employees of the Sheriff are participants in the Florida Retirement System (the System), a multiple-employer cost-sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement, covers approximately 655,367 full-time employees of various governmental units within the State of Florida.

For employees enrolled in the System on or after July 1, 2011, vesting of benefits begins after 8 years of creditable service. Normal retirement benefits are available to these employees who retire at or after age 65 with 8 or more years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's eight highest years of earnings.

Effective with the State fiscal year 2002, the State created a new retirement plan within the System: the Public Employee Optional Retirement Program (the "FRS Investment Plan"). Any regular member not in the Deferred Retirement Option Program (DROP) is eligible to participate in the FRS Investment Plan. Employer contributions are made to the FRS Investment Plan, which holds the contributions in individual investment accounts for each participating employee. The employee directs the investment funds available through the Plan. Investment accounts vest after 1 year of service and may be withdrawn by the employee 90 days after termination or retirement from a participating employer in the System. Alternately, the funds may remain in the investment account until the employee reaches normal retirement age or some earlier date, at the employee's choosing. Employees are not required to contribute to the FRS Investment Plan.

The Sheriff has no responsibility to the System other than to make the periodic contributions required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Florida Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, FL 32399-1560.

Participating employer contributions are based upon statewide rates established by the State of Florida. These rates were applied to employee salaries as follows: regular employees, 10.77% and 9.85%; DROP employees, 12.25% and 10.91%; elected officials, 18.64% and 16.53%; and senior management, 14.57% and 13.12%; for the System's years ended June 30, 2011 and 2010, respectively. Effective July 1, 2011, the rates were changed as follows: regular employees, 4.91%; DROP employees, 4.42%; elected officials, 11.14%; and senior management, 6.27%. In addition, all employees (except for those in DROP) were required to make contributions of 3% on a pretax basis, deductible from their gross salaries for each payroll beginning in July 2011. The Sheriff's contributions made during the years ended September 30, 2011, 2010 and 2009 were \$2,597,410, \$2,730,822 and \$2,727,503, respectively, equal to the actuarially determined contribution requirements for each year.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 6 DEFINED CONTRIBUTION PENSION PLAN**

The Sheriff maintains a defined contribution retirement plan for governmental entities, the Highlands County Sheriff's Office 401(a) Discretionary Contribution Plan. The Sheriff is the Plan Administrator. The Plan was organized pursuant to Internal Revenue Code Section 401(a) by declaration of the Sheriff.

Employees working in the telecommunications and nursing areas are generally eligible to participate in the Plan. The Sheriff determines the contribution rate. The contribution rate for the year ended September 30, 2011 was 3%. There were no employee contributions. Contributions to the Plan for fiscal years ended September 30, 2011, 2010 and 2009 were \$39,187, \$34,440 and \$31,149, respectively.

**NOTE 7 RELATED PARTY TRANSACTIONS**

Transactions with the Highlands County Board of Commissioners and the Constitutional Officers of Highlands County, Florida for the year ended September 30, 2011 were as follows:

**Budget Appropriation**

The General Fund of the Sheriff received revenues from the Board of County Commissioners in the amount of \$26,449,485 for the year ended September 30, 2011. Excess fees payable to the Board at September 30, 2011 was \$981,075.

**Various Services**

The Board of County Commissioners provides various services to the Sheriff. The charges for these services for the fiscal year ended September 30, 2011 amounted to \$542,072.

**NOTE 8 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 natural disasters. The Sheriff is a member of the Florida Sheriffs' Self-Insurance Fund and the Sheriff's Automobile Risk Program, governmental insurance carriers. These agencies administer insurance activities relating to property, general liability, public official's and employment practices liability, automobile, crime, and worker compensation. The Sheriff is liable for deductibles on certain coverage.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

**NOTE 9 CAPITAL ASSETS**

The Sheriff's capital assets include furniture, equipment, computer equipment, vehicles and software. The Sheriff, pursuant to Florida Statutes, records no capital assets for which the Sheriff is custodian. The threshold for capitalizing all capital assets, except software, is \$5,000. The threshold for capitalizing software is \$15,000 for internally generated software and \$25,000 for purchased software. Capital assets are recorded at cost, or estimated historical cost. Contributed assets are recorded at estimated fair value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Detailed information concerning capital assets is recorded and reported in the government-wide financial statement of the County.

The following is a summary of the changes in capital assets for which the Sheriff is custodian during fiscal year 2011:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets, Being Depreciated/Amortized:				
Equipment	\$ 6,094,284	\$ 561,219	\$ 464,102	\$ 6,191,401
Leasehold Improvements	340,846	-	-	340,846
Computer Software	70,000	106,000	-	176,000
Total Capital Assets Being Depreciated/Amortized	6,505,130	667,219	464,102	6,708,247
Less Accumulated Depreciation/Amortization:				
Equipment	3,756,614	804,025	434,128	4,126,511
Leasehold Improvements	113,615	113,615	-	227,230
Computer Software	56,080	18,445	-	74,525
Total Accumulated Depreciation/Amortization	3,926,309	936,085	434,128	4,428,266
Total Capital Assets, Net	<u>\$ 2,578,821</u>	<u>\$ (268,866)</u>	<u>\$ 29,974</u>	<u>\$ 2,279,981</u>

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

The Sheriff is currently receiving, and has received in the past, grants which are subject to special compliance audits by the grantor agency and which may result in disallowed expenditure amounts. These amounts, if any, constitute a contingent liability of the Sheriff. Accordingly, such liabilities are not reflected within the financial statements. Management does not believe the effects of contingent liabilities, if any, will be material to the financial statements.

The Sheriff is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of legal counsel for the Sheriff, the resolution of these matters will not have a materially adverse effect on the financial condition of the Sheriff.

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## AGENCY FUNDS

These funds are used to account for assets held by the Sheriff as an agent for individuals, other governmental units and/or other funds.

### **Agency Funds:**

**Inmate** – To account for monies collected from inmates who have money in their possession at the time of their arrest and subsequent incarceration.

**Cash Bonds** – To account for cash appearance bonds. These funds are maintained until disposition is ordered by the court.

**Unclaimed Evidence** – To account for monies seized by law enforcement. These funds are maintained until final determination by the court.

**Individual Depositors** – To account for fees charged to serve civil process. Fees are collected and held until service is complete and then remitted to other governmental agencies.

**Suspense** – To account for fees and court ordered payments collected for various agencies. These funds are remitted to the County or other governmental agencies.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2011**

	Agency Funds			
	Inmates	Cash Bond	Unclaimed Evidence	Individual Depositors
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 25,586	\$ 1,250	\$ 55,040	\$ 23,692
Due from Other Governmental Units	-	-	-	-
Accounts Receivable	5,077	-	-	-
<b>Total Assets</b>	<b>\$ 30,663</b>	<b>\$ 1,250</b>	<b>\$ 55,040</b>	<b>\$ 23,692</b>
<b>LIABILITIES</b>				
Vouchers Payable	\$ 1,957	\$ -	\$ -	\$ -
Due to Others	18,369	-	55,040	23,692
Due to Other Governmental Units	10,337	-	-	-
Deposits	-	1,250	-	-
<b>Total Liabilities</b>	<b>\$ 30,663</b>	<b>\$ 1,250</b>	<b>\$ 55,040</b>	<b>\$ 23,692</b>

<u>Suspense</u>		<u>Total</u>	
\$	5,410	\$	110,978
	379		379
	-		5,077
<hr/>		<hr/>	
\$	5,789	\$	116,434
<hr/>		<hr/>	
\$	227	\$	2,184
	-		97,101
	5,562		15,899
	-		1,250
<hr/>		<hr/>	
\$	5,789	\$	116,434
<hr/>		<hr/>	

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE COMBINING SCHEDULE OF CHANGES IN NET ASSETS  
ALL AGENCY FUNDS  
YEAR ENDED SEPTEMBER 30, 2011**

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011
<b>INMATES</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,925	\$ 436,708	\$ 421,047	\$ 25,586
Accounts Receivable	3,585	6,503	5,011	5,077
Total Assets	<u>\$ 13,510</u>	<u>\$ 443,211</u>	<u>\$ 426,058</u>	<u>\$ 30,663</u>
<b>LIABILITIES</b>				
Vouchers Payable	\$ -	\$ 1,957	\$ -	\$ 1,957
Due to Others	3,113	439,162	423,906	18,369
Due to Other Governmental Units	10,397	1,176	1,236	10,337
Total Liabilities	<u>\$ 13,510</u>	<u>\$ 442,295</u>	<u>\$ 425,142</u>	<u>\$ 30,663</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 188,250</u>	<u>\$ 257,486</u>	<u>\$ 444,486</u>	<u>\$ 1,250</u>
<b>LIABILITIES</b>				
Vouchers Payable	\$ -	\$ 455,243	\$ 455,243	\$ -
Deposits	188,250	268,493	455,493	1,250
Total Liabilities	<u>\$ 188,250</u>	<u>\$ 723,736</u>	<u>\$ 910,736</u>	<u>\$ 1,250</u>
<b>UNCLAIMED EVIDENCE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 51,033</u>	<u>\$ 39,972</u>	<u>\$ 35,965</u>	<u>\$ 55,040</u>
<b>LIABILITIES</b>				
Due to Others	<u>\$ 51,033</u>	<u>\$ 42,772</u>	<u>\$ 38,765</u>	<u>\$ 55,040</u>



**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE COMBINING SCHEDULE OF CHANGES IN NET ASSETS  
ALL AGENCY FUNDS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2011**

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,976	\$ 157,314	\$ 137,598	\$ 23,692
<b>LIABILITIES</b>				
Vouchers Payable	\$ -	\$ 149,146	\$ 149,146	\$ -
Due to Others	3,976	176,042	156,326	23,692
Total Liabilities	<u>\$ 3,976</u>	<u>\$ 325,188</u>	<u>\$ 305,472</u>	<u>\$ 23,692</u>
<b>SUSPENSE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,437	\$ 244,538	\$ 241,565	\$ 5,410
Accounts Receivable	19,569	-	19,569	-
Due from Other Governmental Units	606	3,373	3,600	379
Total Assets	<u>\$ 22,612</u>	<u>\$ 247,911</u>	<u>\$ 264,734</u>	<u>\$ 5,789</u>
<b>LIABILITIES</b>				
Vouchers Payable	\$ 667	\$ 241,136	\$ 241,576	\$ 227
Due to Other Governmental Units	21,945	225,269	241,652	5,562
Total Liabilities	<u>\$ 22,612</u>	<u>\$ 466,405</u>	<u>\$ 483,228</u>	<u>\$ 5,789</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 255,621	\$ 1,136,018	\$ 1,280,661	\$ 110,978
Due from Other Governmental Units	606	3,373	3,600	379
Accounts Receivable	23,154	6,503	24,580	5,077
Total Assets	<u>\$ 279,381</u>	<u>\$ 1,145,894</u>	<u>\$ 1,308,841</u>	<u>\$ 116,434</u>
<b>LIABILITIES</b>				
Vouchers Payable	\$ 667	\$ 847,482	\$ 845,965	\$ 2,184
Due to Others	58,122	657,976	618,997	97,101
Due to Other Governmental Units	32,342	226,445	242,888	15,899
Deposits	188,250	268,493	455,493	1,250
Total Liabilities	<u>\$ 279,381</u>	<u>\$ 2,000,396</u>	<u>\$ 2,163,343</u>	<u>\$ 116,434</u>

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

Honorable Susan Benton  
Sheriff  
Highlands County, Florida

We have audited the special-purpose financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Highlands County, Florida (Sheriff), as of and for the year ended September 30, 2011 and have issued our report thereon dated January 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Susan Benton  
Sheriff  
Highlands County, Florida

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sheriff's 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 other matters that we reported to management of the Sheriff in a separate letter dated January 12, 2012.

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



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 12, 2012



## MANAGEMENT LETTER

Honorable Susan Benton  
Sheriff  
Highlands County, Florida

We have audited the special-purpose financial statements of the Sheriff of Highlands County, Florida (Sheriff), as of and for the fiscal year ended September 30, 2011 and have issued our report thereon dated January 12, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated January 12, 2012, should be considered in conjunction with this management letter.

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

Section 10.554 (1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Recommendations from our prior year report have been addressed.

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

Section 10.554 (1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Honorable Susan Benton  
Sheriff  
Highlands County, Florida

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

Section 10.554 (1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1 in the Notes to Special-Purpose Financial Statements.

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

We would like to take this opportunity to thank management and staff for their courtesy and cooperation extended to our representatives during the course of our audit.



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 12, 2012