

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL REPORTS**

**YEAR ENDED SEPTEMBER 30, 2013**

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
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## INDEPENDENT AUDITORS' REPORT

The Honorable Susan Benton  
Sheriff  
Highlands County, Florida

### **Report on the Special-Purpose Financial Statements**

We have audited the accompanying 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, 2013, and the related notes to the special-purpose financial statements, which collectively comprise the Sheriff's 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 special-purpose financial statements in accordance with the basis of accounting practices specified by the Rules of the Auditor General, State of Florida for financial statements of constitutional officers. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to error or fraud.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special-purpose 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 special-purpose 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 special-purpose financial statements.

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

The Honorable Susan Benton  
Sheriff  
Highlands County, Florida

### ***Opinions***

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, 2013, and the respective changes in financial position and, where applicable, cash flows and budgetary comparison for the general fund thereof for the year then ended in accordance with the financial reporting provisions of the Rules of the Auditor General, State of Florida as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements are prepared on the basis of the financial reporting provisions of the Rules of the Auditor General, State of Florida, 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 Rules of the Auditor General, State of Florida. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the special-purpose financial statements that collectively comprise the Sheriff's financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements.

The combining statements are the responsibility of management and were 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 combining statements are fairly stated in all material respects in relation to the special-purpose financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated 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 result 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 Sheriff's internal control over financial reporting and compliance.

The Honorable Susan Benton  
Sheriff  
Highlands County, Florida

**Restriction on Use**

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*

**CliftonLarsonAllen LLP**

Sebring, Florida  
January 10, 2014

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE BALANCE SHEET  
GOVERNMENTAL FUND TYPES  
SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Inmate Welfare Fund</u>	<u>Non-Major Fund Community Donations Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,388,618	\$ 221,844	\$ 14,912	\$ 1,625,374
Investments	7,302	-	-	7,302
Accounts Receivable	7,080	19,851	-	26,931
Prepaid Items	45,259	-	-	45,259
Other Assets	10,000	-	-	10,000
	<u>1,458,259</u>	<u>241,695</u>	<u>14,912</u>	<u>1,714,866</u>
Total Assets	<u>\$ 1,458,259</u>	<u>\$ 241,695</u>	<u>\$ 14,912</u>	<u>\$ 1,714,866</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Vouchers Payable	\$ 168,754	\$ 12,105	\$ -	\$ 180,859
Due to Board of County Commissioners	628,370	-	-	628,370
Due to Other Governmental Units	7,928	-	-	7,928
Accrued Wages Payable	653,207	1,030	-	654,237
Total Liabilities	<u>1,458,259</u>	<u>13,135</u>	<u>-</u>	<u>1,471,394</u>
<b>FUND BALANCE</b>				
Nonspendable	45,259	-	-	45,259
Restricted	-	228,560	14,912	243,472
Unassigned	(45,259)	-	-	(45,259)
Total Fund Balance	<u>-</u>	<u>228,560</u>	<u>14,912</u>	<u>243,472</u>
Total Liabilities and Fund Balance	<u>\$ 1,458,259</u>	<u>\$ 241,695</u>	<u>\$ 14,912</u>	<u>\$ 1,714,866</u>

See accompanying Notes to Special-Purpose Financial Statements.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS TYPES  
YEAR ENDED SEPTEMBER 30, 2013**

	General Fund	Inmate Welfare Fund	Non-Major Fund Community Donations Fund	Total Governmental Funds
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
Appropriation from Board of County Commissioners	\$ 25,512,944	\$ -	\$ -	\$ 25,512,944
<b>Miscellaneous Revenues:</b>				
Commissary Sales	-	30,187	-	30,187
Miscellaneous Revenues	-	145,154	12,533	157,687
Total Revenues	<u>25,512,944</u>	<u>175,341</u>	<u>12,533</u>	<u>25,700,818</u>
<b>EXPENDITURES</b>				
<b>Court Related:</b>				
Courthouse Security:				
Personal Services	830,791	-	-	830,791
Operating Expenditures	12,310	-	-	12,310
Total Court Related	<u>843,101</u>	<u>-</u>	<u>-</u>	<u>843,101</u>
<b>Public Safety:</b>				
Law Enforcement:				
Personal Services	13,383,572	-	-	13,383,572
Operating Expenditures	2,054,337	-	3,777	2,058,114
Capital Outlay	379,314	-	-	379,314
Total Law Enforcement	<u>15,817,223</u>	<u>-</u>	<u>3,777</u>	<u>15,821,000</u>
Corrections and Detention:				
Personal Services	7,516,561	31,531	-	7,548,092
Operating Expenditures	702,349	162,754	-	865,103
Capital Outlay	6,959	250,000	-	256,959
Total Corrections and Detention	<u>8,225,869</u>	<u>444,285</u>	<u>-</u>	<u>8,670,154</u>
Total Expenditures	<u>24,886,193</u>	<u>444,285</u>	<u>3,777</u>	<u>25,334,255</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	626,751	(268,944)	8,756	366,563
<b>OTHER FINANCING (USES)</b>				
Unexpended Budget Balance Reverting to Board of County Commissioners	(626,751)	-	-	(626,751)
<b>NET CHANGE IN FUND BALANCE</b>	-	(268,944)	8,756	(260,188)
Fund Balance - October 1, 2012	-	497,504	6,156	503,660
<b>FUND BALANCE - SEPTEMBER 30, 2013</b>	<u>\$ -</u>	<u>\$ 228,560</u>	<u>\$ 14,912</u>	<u>\$ 243,472</u>

See accompanying Notes to Special-Purpose Financial Statements.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2013**

	General Fund			Variance - Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
<b>REVENUES</b>				
<b>Intergovernmental:</b>				
Appropriation from Board of County Commissioners	\$ 22,681,611	\$ 25,512,944	\$ 25,512,944	\$ -
<b>EXPENDITURES</b>				
<b>Court Related:</b>				
Courthouse Security:				
Personal Services	849,902	849,902	830,791	19,111
Operating Expenditures	17,379	17,379	12,310	5,069
Total Court Related	867,281	867,281	843,101	24,180
<b>Public Safety:</b>				
<b>Law Enforcement:</b>				
Personal Services	11,536,379	13,522,563	13,383,572	138,991
Operating Expenditures	2,064,773	2,354,571	2,054,337	300,234
Capital Outlay	-	388,329	379,314	9,015
Total Law Enforcement	13,601,152	16,265,463	15,817,223	448,240
<b>Corrections and Detention:</b>				
Personal Services	7,494,312	7,608,670	7,516,561	92,109
Operating Expenditures	718,866	746,850	702,349	44,501
Capital Outlay	-	24,680	6,959	17,721
Total Corrections and Detention	8,213,178	8,380,200	8,225,869	154,331
Total Expenditures	22,681,611	25,512,944	24,886,193	626,751
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	626,751	626,751
<b>OTHER FINANCING (USES)</b>				
Unexpended Budget Balance Reverting to Board of County Commissioners	-	-	(626,751)	(626,751)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - October 1, 2012	-	-	-	-
<b>FUND BALANCE - SEPTEMBER 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Special-Purpose Financial Statements.



**SHERIFF**  
**HIGHLANDS COUNTY, FLORIDA**  
**SPECIAL-PURPOSE STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPE**  
**SEPTEMBER 30, 2013**

	Governmental Activities- Internal Service Fund <hr/> Compensated Absences <hr/>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,211,874
<b>LIABILITIES</b>	
Accrued Compensated Absences Payable	<hr/> 2,211,874
<b>NET POSITION</b>	
Unrestricted	<hr/> -
Total Net Position	<hr/> <hr/> \$ -

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

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND TYPE  
YEAR ENDED SEPTEMBER 30, 2013**

	Governmental Activities- Internal Service Fund <hr/> Compensated Absences
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 523,995
<b>OPERATING EXPENSES</b>	
Compensated Absences Expense	<hr/> 523,995
<b>CHANGE IN NET POSITION</b>	-
Net Position - October 1, 2012	<hr/> -
<b>NET POSITION - SEPTEMBER 30, 2013</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, 2013**

	Governmental Activities- Internal Service Fund <hr/> Compensated Absences <hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Charges for Services	\$ 523,995
Cash Paid to Employees for Services	(193,141)
Net Cash Provided by Operating Activities	<hr/> 330,854 <hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	330,854
Cash and Cash Equivalents - October 1, 2012	<hr/> 1,881,020 <hr/>
<b>CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2013</b>	<hr/> <b>\$ 2,211,874</b> <hr/>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ -
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Compensated Absences	<hr/> 330,854 <hr/>
Net Cash Provided by Operating Activities	<hr/> <b>\$ 330,854</b> <hr/>

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

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SPECIAL-PURPOSE STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
SEPTEMBER 30, 2013**

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 83,159
Due from Other Governmental Units	1,315
Due from Others	5,748
Total Assets	\$ 90,222
 <b>LIABILITIES</b>	
Due to Others	\$ 77,379
Due to Other Governmental Units	12,843
Total Liabilities	\$ 90,222

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

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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 of Highlands County, Florida (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, with the exception of reimbursements for extra duty pay or reimbursements for overtime incurred while assisting other federal and state agencies, 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, 2013 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.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Fund Accounting (Continued)**

The purpose of the Sheriff's various funds is as follows:

**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 a special revenue fund used to account for the profits earned from telephone services and commissary services operated within the County jail. Revenues are provided by sales of products such as candy 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.

**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.

**Capital Assets**

All capital assets purchased are recorded as expenditures in the governmental funds at the time of purchase. Capital assets used by the Sheriff are capitalized in the basic financial statements of the County rather than in the governmental funds of the Sheriff. Capital assets are valued at historical cost or estimated historical cost if actual is not available. Donated capital assets are recorded at estimated fair value at the date of donation. The Sheriff maintains custodial responsibility for the capital assets used by her office.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Measurement Focus**

**Governmental Fund Types** – The governmental 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 in the statement of net position. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

**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.

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 Appraiser, 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.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Budgets and Budgetary Data (Continued)**

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. If the Board of County Commissioners adopts a budget that includes amendments, modifications, increases, or reductions to the Sheriff's proposed budget, they must provide the Sheriff written notice of the changes.
7. The Sheriff receives her budgeted revenues from the Board in installments. One twelfth of the budget is received in all months except January and September. One sixth of the budget is received in January, and no appropriation is received in September.
8. 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.
9. Formal budgetary integration is employed as a management control device during the year for all Governmental Fund Types.
10. 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).
11. All appropriations lapse at the close of the fiscal year.

**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.



**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**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 and the leave balance. 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.

**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 and Community Donations 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.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Fund Balance (Continued)**

**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.

**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.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

**Implementation of New Accounting Standards**

During the year the Sheriff implemented *GASBS 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, supersedes GASBS 20*. *GASBS 20* gave governments the choice to elect to follow only GASB's authoritative literature, or to follow FASB and AICPA pronouncements that did not conflict with GASB pronouncements. Upon adoption of *GASBS 62*, all governmental accounting guidance is codified into the GASB literature.

During the year the Sheriff implemented *GASBS 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. *GASBS 63* provides guidance on deferred outflows and inflows of resources. It also renames the residual amounts from "net assets" to "net position". These financial statements include the statement of net position, which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

During the year the Sheriff implemented *GASBS 65, Items Previously Reported as Assets and Liabilities*. *GASBS 65* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

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

At September 30, 2013, the Sheriff's deposits were \$3,894,072. The entire amount of the demand deposits is deposited in a State of Florida qualified depository and, therefore, is fully collateralized.

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.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

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, 2013, 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 25.5% of Florida PRIME's portfolio at September 30, 2013.

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, 2013, 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, 2013 was 44 days. As of September 30, 2013, the Sheriff has \$25,200 invested in Florida PRIME.

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, 2013 was 1.13262284. As of September 30, 2013, the Sheriff has \$7,302 invested in Fund B. The weighted average life (WAL) of Fund B at September 30, 2013 was 4.04 years.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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

A reconciliation to amounts shown on the balance sheet, statement of net position, and statement of fiduciary net position is as follows:

Demand Deposits	\$ 3,894,072
Petty Cash and Change Fund	1,135
Florida PRIME	25,200
Fund B	7,302
Total	\$ 3,927,709
Special-Purpose Balance Sheet:	
Cash and Cash Equivalents	\$ 1,625,374
Investments	7,302
Special-Purpose Statement of Net Position:	
Cash and Cash Equivalents	2,211,874
Special-Purpose Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	83,159
Total Cash, Cash Equivalents and Investments	\$ 3,927,709

**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 and was extended through February 28, 2014. The lease provides for fixed minimum rent payments with a 3% increase per year during any renewal term. The lease expenses were approximately \$136,000 for fiscal year 2013. The future minimum annual rental commitment is shown below:

<u>Year Ending</u>	<u>Amount</u>
2014	\$ 58,531

**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 may be 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.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 PERSONNEL COMMITMENTS (CONTINUED)**

The following shows the change in compensated absences for the fiscal year ended September 30, 2013:

Compensated Absences - September 30, 2012	\$ 1,881,020
Leave Earned by Employees	523,995
Payments to Employees	<u>(193,141)</u>
Compensated Absences - September 30, 2013	<u>\$ 2,211,874</u>

**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 655,000 full-time employees of various governmental units within the State of Florida.

For employees enrolled prior to July 1, 2011, the System provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to regular risk employees who retire at or after age 62 with 6 or more years of service or has 30 years of service, regardless of age. For special risk class members, normal retirement is age 55 with at least 6 years of special risk service; or 25 years of special risk service, regardless of age; or age 52 with 25 years of special risk service and military service. Early retirement is available after a member is vested and is within 20 years of normal retirement age; however, there is 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 five highest years of earnings.

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 regular risk employees who retire at or after age 65 with 8 or more years of service or has 33 years of service, regardless of age. For special risk class members, normal retirement is age 60 with at least 8 years of special risk service; or 30 years of special risk service, regardless of age; or age 57 with 30 years of special risk service and military service. Early retirement is available after a member is vested and is within 20 years of normal retirement age; however, there is 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.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 5 PENSION PLAN (CONTINUED)**

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.

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, 1317 Winewood Blvd., Building 8, 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, 5.18% and 4.91%; DROP employees, 5.44% and 4.42%; elected officials, 10.23% and 11.14%; special risk, 14.90% and 14.10%; and senior management, 6.3% and 6.27%; for the System's years ended June 30, 2013 and 2012, respectively. Effective July 1, 2013, the rates were changed as follows: regular employees, 6.95%; DROP employees, 12.84%; elected officials, 33.03%; special risk, 19.06%; and senior management, 18.31%. 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, 2013, 2012 and 2011 were \$2,080,359, \$1,820,408 and \$2,597,410, respectively, equal to the actuarially determined contribution requirements for each year.

**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, 2013 was 3%. There were no employee contributions. Contributions to the Plan for fiscal years ended September 30, 2013, 2012 and 2011 were \$41,243, \$31,653 and \$39,187, respectively.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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, 2013 were as follows:

**Budget Appropriation**

The General Fund of the Sheriff received revenues from the Board of County Commissioners in the amount of \$25,512,944 for the year ended September 30, 2013. Amounts payable to the Board at September 30, 2013 was \$628,370.

**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, 2013 amounted to \$659,177. Additionally, the Clerk of the Circuit Courts provides the Sheriff various software maintenance and licensing services. The charges for these services for the fiscal year ended September 30, 2013 amounted to \$6,237.

**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 Risk Management Fund and participates in the following programs: Florida Sheriffs' Self-Insurance Program, Florida Sheriffs' Workers' Compensation Self Insurance Program, and the Sheriffs' 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.

**NOTE 9 CAPITAL ASSETS**

The Sheriff's capital assets include furniture, equipment, computer equipment, vehicles and software. 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.



**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 9 CAPITAL ASSETS (CONTINUED)**

The following is a summary of the changes in capital assets for which the Sheriff is custodian during fiscal year 2013:

	Beginning Balance	Additions	Deletions	Ending Balances
Capital Assets, Being				
Depreciated/Amortized:				
Equipment	\$ 6,210,694	\$ 2,244,148	\$ (227,227)	\$ 8,227,615
Leasehold Improvements	340,846	-	-	340,846
Computer Software	195,730	-	-	195,730
Total Capital Assets Being				
Depreciated/Amortized	6,747,270	2,244,148	(227,227)	8,764,191
Less: Accumulated				
Depreciation/Amortization:				
Equipment	(4,469,166)	(591,170)	210,153	(4,850,183)
Leasehold Improvements	(340,845)	-	-	(340,845)
Computer Software	(97,034)	(25,126)	-	(122,160)
Total Accumulated				
Depreciation/Amortization	(4,907,045)	(616,296)	210,153	(5,313,188)
Total Capital Assets, Net	<u>\$ 1,840,225</u>	<u>\$ 1,627,852</u>	<u>\$ (17,074)</u>	<u>\$ 3,451,003</u>

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

The Sheriff administers 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.

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
AGENCY FUNDS DESCRIPTIONS  
YEAR ENDED SEPTEMBER 30, 2013**

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:**

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

**Cash Bond** – To account for cash appearance bonds collected by the Sheriff on behalf of the Clerk of Courts. These funds are disbursed to the Clerk of Courts weekly.

**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 entities or individuals.

**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  
COMBINING SPECIAL-PURPOSE STATEMENT OF FIDUCIARY NET POSITION  
ALL AGENCY FUNDS  
SEPTEMBER 30, 2013**

	<u>Inmates</u>	<u>Cash Bond</u>	<u>Unclaimed Evidence</u>	<u>Individual Depositors</u>	<u>Suspense</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 14,720	\$ -	\$ 62,192	\$ 4,290	\$ 1,957	\$ 83,159
Due from Other Governmental Units	-	-	-	-	1,315	1,315
Due from Others	5,748	-	-	-	-	5,748
 Total Assets	 <u>\$ 20,468</u>	 <u>\$ -</u>	 <u>\$ 62,192</u>	 <u>\$ 4,290</u>	 <u>\$ 3,272</u>	 <u>\$ 90,222</u>
<b>LIABILITIES</b>						
Due to Others	\$ 10,755	\$ -	\$ 62,192	\$ 4,290	\$ 142	\$ 77,379
Due to Other Governmental Units	9,713	-	-	-	3,130	12,843
 Total Liabilities	 <u>\$ 20,468</u>	 <u>\$ -</u>	 <u>\$ 62,192</u>	 <u>\$ 4,290</u>	 <u>\$ 3,272</u>	 <u>\$ 90,222</u>

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
COMBINING SPECIAL-PURPOSE STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED SEPTEMBER 30, 2013**

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013
<b>INMATES</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 17,091	\$ 391,664	\$ 394,035	\$ 14,720
Due from Others	4,681	253,833	252,766	5,748
Total Assets	<u>\$ 21,772</u>	<u>\$ 645,497</u>	<u>\$ 646,801</u>	<u>\$ 20,468</u>
<b>LIABILITIES</b>				
Due to Others	10,548	742,178	741,971	10,755
Due to Other Governmental Units	11,224	186,048	187,559	9,713
Total Liabilities	<u>\$ 21,772</u>	<u>\$ 928,226</u>	<u>\$ 929,530</u>	<u>\$ 20,468</u>
<b>CASH BOND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 171,581</u>	<u>\$ 171,581</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Deposits	<u>\$ -</u>	<u>\$ 171,581</u>	<u>\$ 171,581</u>	<u>\$ -</u>
<b>UNCLAIMED EVIDENCE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 64,572</u>	<u>\$ 28,306</u>	<u>\$ 30,686</u>	<u>\$ 62,192</u>
<b>LIABILITIES</b>				
Due to Others	<u>\$ 64,572</u>	<u>\$ 34,154</u>	<u>\$ 36,534</u>	<u>\$ 62,192</u>

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
COMBINING SPECIAL-PURPOSE SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2013**

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013
<b>INDIVIDUAL DEPOSITORS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,250	\$ 118,376	\$ 116,336	\$ 4,290
<b>LIABILITIES</b>				
Due to Others	\$ 2,250	\$ 122,971	\$ 120,931	\$ 4,290
<b>SUSPENSE</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,764	\$ 269,732	\$ 269,539	\$ 1,957
Due from Other Governmental Units	1,126	8,813	8,624	1,315
Total Assets	<u>\$ 2,890</u>	<u>\$ 278,545</u>	<u>\$ 278,163</u>	<u>\$ 3,272</u>
<b>LIABILITIES</b>				
Due to Others	\$ -	\$ 1,655	\$ 1,513	\$ 142
Due to Other Governmental Units	2,890	276,444	276,204	3,130
Total Liabilities	<u>\$ 2,890</u>	<u>\$ 278,099</u>	<u>\$ 277,717</u>	<u>\$ 3,272</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 85,677	\$ 979,659	\$ 982,177	\$ 83,159
Due from Other Governmental Units	1,126	8,813	8,624	1,315
Due from Others	4,681	253,833	252,766	5,748
Total Assets	<u>\$ 91,484</u>	<u>\$ 1,242,305</u>	<u>\$ 1,243,567</u>	<u>\$ 90,222</u>
<b>LIABILITIES</b>				
Due to Others	\$ 77,370	\$ 900,958	\$ 900,949	\$ 77,379
Due to Other Governmental Units	14,114	462,492	463,763	12,843
Deposits	-	171,581	171,581	-
Total Liabilities	<u>\$ 91,484</u>	<u>\$ 1,535,031</u>	<u>\$ 1,536,293</u>	<u>\$ 90,222</u>

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

The Honorable Susan Benton  
Sheriff  
Highlands County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the special-purpose financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Highlands County, Florida (Sheriff), as of and for the year ended September 30, 2013, and the related notes to the special-purpose financial statements, which collectively comprise the Sheriff's financial statements, and have issued our report thereon dated January 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the special-purpose financial statements, we considered 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 opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 special-purpose 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.

The Honorable Susan Benton  
Sheriff  
Highlands County, Florida

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sheriff's special-purpose financial statements are free from 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 10, 2014

## MANAGEMENT LETTER

The 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, 2013 and have issued our report thereon dated January 10, 2014.

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 and Chapter 10.550 Rules of the Florida Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of 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 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 report:

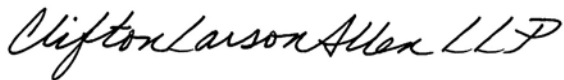
- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- 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 noncompliance with the provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. Our recommendation is included in the accompanying schedule of findings and responses as 2013-001.



The Honorable Susan Benton  
Sheriff  
Highlands County, Florida

- 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. See Note 1 in the notes to special-purpose financial statements.

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.



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 10, 2014

**SHERIFF  
HIGHLANDS COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2013**

**PRIOR YEAR**

Prior Year Findings		Current Year Status
2012-01 - Internal Service Fund Accounting	Material Weakness	Cleared
2012-02 - Revenue Recognition	Material Weakness	Cleared

**CURRENT YEAR**

**2013-001 – Security for Public Deposits**

**Criteria:**

Chapter 280.17(2)(c), Florida Statutes, requires public depositors to maintain a current Public Deposit Identification and Acknowledgement Form, DFS-J1-1295. This form is mandatory for filing a claim with the Florida Chief Financial Officer if a public depository in which the Sheriff has funds deposited defaults or becomes insolvent.

**Condition:**

The current Public Deposit Identification and Acknowledgement Form could not be located for inspection. The Sheriff's bank has record that the form was received, but a copy of the form was not available.

**Context:**

Testing of compliance with Chapter 280 of Florida Statutes identified the condition.

**Cause:**

Management was unfamiliar with some of the requirements of Chapter 280, Florida Statutes.

**Effect:**

Without the required documentation, the Sheriff allows itself to be susceptible to financial loss upon default or insolvency of a qualified public depository.

**Recommendation:**

We recommend that management review the provisions of Chapter 280, Florida Statutes, and establish procedures to ensure that the required forms are completed and maintained or submitted to the DFS.

**Management Response:**

We have reviewed Chapter 280, Florida Statutes and are in compliance currently and will maintain the documentation on site.