

**HERNANDO COUNTY, FLORIDA
SHERIFF**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2014

**HERNANDO COUNTY, FLORIDA
SHERIFF**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2014

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**HERNANDO COUNTY, FLORIDA
SHERIFF**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2014

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INDEPENDENT AUDITORS' REPORT

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Hernando County, Florida, Sheriff (the Sheriff), as of and for the year ended September 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Sheriff as of September 30, 2014, and the respective changes in financial position, budgetary comparisons, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of Matter – Incomplete Presentation

As discussed in Note 1 to the financial statements, the financial statements referred to above were prepared solely for the purpose of complying with the Rules of the Auditor General of the State of Florida (the Rules). In conformity with the Rules, the accompanying financial statements are intended to present the financial position, changes in financial position, budgetary comparisons, and cash flows of each major fund and the aggregate remaining fund information, where applicable, only for that portion of the major funds and the aggregate remaining fund information of Hernando County, Florida, that is attributable to the Sheriff. They do not purport to, and do not, present fairly the financial position as a whole of Hernando County, Florida, as of September 30, 2014, and the changes in its financial position, budgetary comparisons, or cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's financial statements. The other financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2014, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheriff's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

December 24, 2014
Sarasota, Florida

**HERNANDO COUNTY, FLORIDA
SHERIFF
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General	Federal Forfeitures	E-911	800 MHz	Inmate Welfare	Nonmajor Governmental Funds	Total
Assets							
Cash and Cash							
Equivalents	\$ 3,064,140	\$ 1,147,862	\$ 624,835	\$ 262,727	\$ 373,642	\$ 801,993	\$ 6,275,199
Accounts Receivable	0	0	0	0	16,758	0	16,758
Due from Other Funds	20,287	0	0	0	9,486	0	29,773
Due from Other							
Governments	32,696	0	248,007	12,878	0	30,801	324,382
Total Assets	3,117,123	1,147,862	872,842	275,605	399,886	832,794	6,646,112
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable	492,613	46	17,095	25,736	10,389	553	546,432
Accrued Wages and							
Benefits Payable	1,242,332	2,647	8,241	0	5,045	3,462	1,261,727
Due to Hernando							
County, Florida,							
Board of County							
Commissioners	1,381,397	0	0	0	0	0	1,381,397
Due to Other							
Governments	781	0	0	0	0	0	781
Deposits	0	0	0	0	0	260	260
Unearned Revenue	0	0	0	5,407	0	0	5,407
Total Liabilities	3,117,123	2,693	25,336	31,143	15,434	4,275	3,196,004
Deferred Inflows							
Unavailable Revenues	0	0	124,260	0	0	0	124,260
Fund Balances							
Restricted for:							
Law Enforcement							
Activities	0	1,145,169	0	0	0	428,223	1,573,392
Communications	0	0	723,246	244,462	0	0	967,708
Education and							
Training	0	0	0	0	0	396,541	396,541
Inmate Benefits	0	0	0	0	384,452	0	384,452
Other	0	0	0	0	0	3,755	3,755
Total Fund Balances	0	1,145,169	723,246	244,462	384,452	828,519	3,325,848
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 3,117,123	\$ 1,147,862	\$ 872,842	\$ 275,605	\$ 399,886	\$ 832,794	\$ 6,646,112

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General	Federal Forfeitures	E-911	800 MHz	Inmate Welfare	Nonmajor Governmental Funds	Total
Revenues							
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 181,090	\$ 181,090
Charges for Services	1,530,372	0	745,561	124,744	385,911	620	2,787,208
Fines and Forfeitures	0	50,329	0	173,040	0	91,406	314,775
Interest Revenue	1,920	353	197	80	107	204	2,861
Miscellaneous	80,452	0	0	64,889	6,910	66,500	218,751
Total Revenues	1,612,744	50,682	745,758	362,753	392,928	339,820	3,504,685
Expenditures							
Public Safety:							
Personal Services	31,948,048	10,990	285,945	0	164,968	128,977	32,538,928
Operating Expenditures	5,949,317	70,434	386,783	229,181	157,205	51,402	6,844,322
Capital Outlay	1,227,643	23,670	1,900	0	8,998	217,813	1,480,024
Court Services:							
Personal Services	829,177	0	0	0	0	0	829,177
Operating Expenditures	242,969	0	0	0	0	0	242,969
Capital Outlay	6,958	0	0	0	0	0	6,958
Debt Service:							
Principal	0	0	144,848	0	0	0	144,848
Interest	0	0	3,250	0	0	0	3,250
(Total Expenditures)	(40,204,112)	(105,094)	(822,726)	(229,181)	(331,171)	(398,192)	(42,090,476)
(Deficiency) Excess of Revenues (Under) Over Expenditures	(38,591,368)	(54,412)	(76,968)	133,572	61,757	(58,372)	(38,585,791)
Other Financing Sources (Uses)							
Sales of Capital Assets	0	0	0	0	0	475,000	475,000
Transfers in:							
Hernando County, Florida, Board of County Commissioners Appropriations	39,972,765	0	0	0	0	0	39,972,765
Transfers (out):							
Hernando County, Florida, Board of County Commissioners: Excess Fees	(1,381,397)	0	0	0	0	0	(1,381,397)
Capital Improvement Projects	0	0	0	(163,500)	0	0	(163,500)
Total Other Financing Sources (Uses)	38,591,368	0	0	(163,500)	0	475,000	38,902,868
Net Change in Fund Balance	0	(54,412)	(76,968)	(29,928)	61,757	416,628	317,077
Fund Balance, Beginning of Year	0	1,199,581	800,214	274,390	322,695	411,891	3,008,771
Fund Balance, End of Year	\$ 0	\$ 1,145,169	\$ 723,246	\$ 244,462	\$ 384,452	\$ 828,519	\$ 3,325,848

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 1,392,489	\$ 1,392,489	\$ 1,530,372	\$ 137,883
Interest Revenue	7,000	7,000	1,920	(5,080)
Miscellaneous	68,237	68,237	80,452	12,215
Total Revenues	<u>1,467,726</u>	<u>1,467,726</u>	<u>1,612,744</u>	<u>145,018</u>
Expenditures				
Public Safety:				
Personal Services	34,478,432	32,501,332	31,948,048	553,284
Operating Expenditures	5,386,731	6,329,831	5,949,317	380,514
Capital Outlay	150,000	1,184,000	1,227,643	(43,643)
Court Services:				
Personal Services	860,041	853,141	829,177	23,964
Operating Expenditures	247,050	253,950	242,969	10,981
Capital Outlay	0	0	6,958	(6,958)
(Total Expenditures)	<u>(41,122,254)</u>	<u>(41,122,254)</u>	<u>(40,204,112)</u>	<u>918,142</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(39,654,528)</u>	<u>(39,654,528)</u>	<u>(38,591,368)</u>	<u>1,063,160</u>
Other Financing Sources (Uses)				
Transfers in:				
Hernando County, Florida, Board of County Commissioners Appropriations	39,972,765	39,972,765	39,972,765	0
Transfers (out):				
Hernando County, Florida, Board of County Commissioners: Excess Fees	(318,237)	(318,237)	(1,381,397)	(1,063,160)
Total Other Financing Sources (Uses)	<u>39,654,528</u>	<u>39,654,528</u>	<u>38,591,368</u>	<u>(1,063,160)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FEDERAL FORFEITURES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 0	\$ 0	\$ 50,329	\$ 50,329
Interest Revenue	600	600	353	(247)
Total Revenues	<u>600</u>	<u>600</u>	<u>50,682</u>	<u>50,082</u>
Expenditures				
Public Safety:				
Personal Services	0	10,945	10,990	(45)
Operating Expenditures	119,165	180,675	70,434	110,241
Capital Outlay	0	24,500	23,670	830
(Total Expenditures)	<u>(119,165)</u>	<u>(216,120)</u>	<u>(105,094)</u>	<u>111,026</u>
(Deficiency) of Revenues				
(Under) Expenditures	(118,565)	(215,520)	(54,412)	161,108
Other Financing (Uses) Sources				
Reserve for Contingencies	(1,081,017)	(984,062)	0	984,062
Net Change in Fund Balance	(1,199,582)	(1,199,582)	(54,412)	1,145,170
Fund Balance, Beginning of Year	<u>1,199,582</u>	<u>1,199,582</u>	<u>1,199,581</u>	<u>(1)</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,145,169</u>	<u>\$ 1,145,169</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - E-911 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 769,706	\$ 769,706	\$ 745,561	\$ (24,145)
Interest Revenue	0	0	197	197
Total Revenues	<u>769,706</u>	<u>769,706</u>	<u>745,758</u>	<u>(23,948)</u>
Expenditures				
Public Safety:				
Personal Services	474,290	349,440	285,945	63,495
Operating Expenditures	362,450	485,300	386,783	98,517
Capital Outlay	308,250	310,250	1,900	308,350
Debt Service:				
Principal	144,847	144,847	144,848	(1)
Interest	4,869	4,869	3,250	1,619
(Total Expenditures)	<u>(1,294,706)</u>	<u>(1,294,706)</u>	<u>(822,726)</u>	<u>471,980</u>
Net Change in Fund Balance	(525,000)	(525,000)	(76,968)	448,032
Fund Balance, Beginning of Year	<u>525,000</u>	<u>525,000</u>	<u>800,214</u>	<u>275,214</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 723,246</u>	<u>\$ 723,246</u>

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 800 MHz FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 122,446	\$ 122,446	\$ 124,744	\$ 2,298
Fines and Forfeitures	150,000	150,000	173,040	23,040
Interest Revenue	0	0	80	80
Miscellaneous	56,424	56,424	64,889	8,465
Total Revenues	<u>328,870</u>	<u>328,870</u>	<u>362,753</u>	<u>33,883</u>
Expenditures				
Public Safety:				
Operating Expenditures	373,200	429,700	229,181	200,519
Capital Outlay	250,000	30,000	0	30,000
(Total Expenditures)	<u>(623,200)</u>	<u>(459,700)</u>	<u>(229,181)</u>	<u>230,519</u>
Excess of Revenues Over Expenditures	<u>(294,330)</u>	<u>(130,830)</u>	<u>133,572</u>	<u>264,402</u>
Other Financing (Uses) Sources				
Transfers (out):				
Hernando County, Florida, Board of County Commissioners:				
Capital Improvement Projects	0	(163,500)	(163,500)	0
Total Other Financing (Uses) Sources	<u>0</u>	<u>(163,500)</u>	<u>(163,500)</u>	<u>0</u>
Net Change in Fund Balance	(294,330)	(294,330)	(29,928)	264,402
Fund Balance, Beginning of Year	<u>294,330</u>	<u>294,330</u>	<u>274,390</u>	<u>(19,940)</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 244,462</u>	<u>\$ 244,462</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - INMATE WELFARE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 372,000	\$ 372,000	\$ 385,911	\$ 13,911
Interest Revenue	0	0	107	107
Miscellaneous	3,000	3,000	6,910	3,910
Total Revenues	<u>375,000</u>	<u>375,000</u>	<u>392,928</u>	<u>17,928</u>
Expenditures				
Public Safety:				
Personal Services	179,967	179,967	164,968	14,999
Operating Expenditures	126,200	126,200	157,205	(31,005)
Capital Outlay	25,000	25,000	8,998	16,002
(Total Expenditures)	<u>(331,167)</u>	<u>(331,167)</u>	<u>(331,171)</u>	<u>(4)</u>
Excess of Revenues Over Expenditures	43,833	43,833	61,757	17,924
Other Financing (Uses) Sources				
Reserve for Contingencies	<u>(366,528)</u>	<u>(366,528)</u>	<u>0</u>	<u>366,528</u>
Net Change in Fund Balance	(322,695)	(322,695)	61,757	384,452
Fund Balance, Beginning of Year	<u>322,695</u>	<u>322,695</u>	<u>322,695</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 384,452</u>	<u>\$ 384,452</u>

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE - INTERNAL SERVICE FUND
SEPTEMBER 30, 2014**

	Internal Service
Assets	
Cash with Fiscal Agent	\$ 4,726,344
Accounts Receivable	144,734
Total Assets	4,871,078
 Liabilities	
Accounts Payable	626,988
Liability for Unpaid Claims	251,998
Unearned Revenue	339,245
Total Liabilities	1,218,231
 Net Position	
Unrestricted	3,652,847
Total Net Position	\$ 3,652,847

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE - INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Internal Service
Operating Revenues	
Interfund Charges	\$ 3,670,420
Premiums - Employees	618,047
Premiums - Retirees	333,446
Miscellaneous	48,728
Total Operating Revenues	4,670,641
Operating Expenses	
Claims	3,241,455
Professional Services	473,330
Insurance	253,906
(Total Operating Expenses)	(3,968,691)
Operating Income	701,950
Nonoperating Revenues	
Interest	3,552
Change in Net Position	705,502
Net Position, Beginning of Year	2,947,345
Net Position, End of Year	\$ 3,652,847

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Internal Service
Cash Flows From Operating Activities	
Cash Received from Interfund Charges	\$ 3,683,186
Cash Received from Employees	618,047
Cash Received from Retirees	333,446
Other Cash Receipts	48,729
Payments to Suppliers	(727,236)
Claims Paid	(2,927,276)
Net Cash Provided by Operating Activities	1,028,896
Cash Flows From Investing Activities	
Interest Received	3,552
Net Increase in Cash	1,032,448
Cash, Beginning of Year	3,693,896
Cash, End of Year	\$ 4,726,344
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 701,950
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(98,054)
Increase in Accounts Payable	395,212
Increase in Liability for Unpaid Claims	17,021
Increase in Unearned Revenue	12,767
Total Adjustments	326,946
Net Cash Provided by Operating Activities	\$ 1,028,896

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2014

Assets

Cash and Cash Equivalents	\$ 86,665
Total Assets	<u><u>86,665</u></u>

Liabilities

Accounts Payable	29,771
Due to Other Funds	29,773
Due to Other Governments	9,712
Deposits	17,409
Total Liabilities	<u><u>\$ 86,665</u></u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Hernando County, Florida, (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and managed by an appointed County Administrator. The Hernando County, Florida, Sheriff (the Sheriff), is an elected constitutional officer as provided for by the Constitution of the State of Florida. Pursuant to Chapter 129, Florida Statutes, the Sheriff's budget is submitted to the Board for approval.

The Sheriff is the chief law enforcement officer of the County. Funding for the Sheriff's operations comes primarily from annual appropriations from the Board and all unexpended proceeds must be returned to the Board at year-end.

For financial reporting purposes, the Sheriff is deemed to be part of the primary government of the County and, as such, is included in the County's Comprehensive Annual Financial Report.

Basis of Presentation

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

The financial transactions of the Sheriff are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. GAAP sets forth minimum criteria (percentage of total assets, liabilities, revenues, or expenditures) for the determination of major funds. Each major fund is reported in a separate column.

The Sheriff reports the following major governmental funds:

- **General Fund**—The General Fund is used to account for the general operations of the Sheriff and includes all transactions which are not accounted for in another fund.
- **Federal Forfeitures Fund**—This fund is used to account for forfeited property passed down from the U.S. Department of Justice or by the U.S. Immigration and Customs Enforcement. Utilization of revenue can include enhancements to law enforcement delivery and operations.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

- **E-911 Fund**—This fund is used to account for the proceeds of telephone charges collected for the installation and operation of an Emergency 911 System.
- **800 MHz Fund**—This fund derives its resources from lease payments for space leased on the County's primary tower site, fees assessed to each radio user department for maintenance contract costs, and a \$12.50 fee included in each fine paid for a traffic citation. The 800 MHz system is maintained to ensure continuous and optimum radio communications for all public safety and County radio users.
- **Inmate Welfare Fund**—This fund derives its resources from inmate telephone and commissary commissions. This fund has committee oversight and all approved expenditures must be for the benefit of the inmate. Florida Statute 945.215, Inmate Welfare and Employee Benefit Trust Funds, governs the use of proceeds and expenditures for this fund.

The Sheriff also reports the following nonmajor special revenue funds:

- Law Enforcement Educational Fund
- Child Saver Program Fund
- Grants and Contributions Fund

The Sheriff reports the following other fund types:

- **Proprietary Fund Type—Internal Service Funds**
These funds are used to account for health and dental insurance benefits provided to the employees by the Sheriff. Their funding is based upon an annual actuarial study of expected benefit payouts.
- **Fiduciary Fund Type—Agency Funds**
These funds are used to account for assets held by the Sheriff in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Measurement Focus and Basis of Accounting

Governmental funds are accounted for using the flow of current financial resources measurement focus. Only current assets and current liabilities, generally, are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations or have a measurement focus.

The modified accrual basis of accounting is used by both governmental and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available to finance liabilities of the current fiscal year). For this purpose, the Sheriff considers revenues to be available if they are collected within 60 days after year-end. Grants must also meet eligibility requirements to be accrued.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Concluded)

For governmental funds, expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures when paid. Substantially all of the Sheriff's operating budget funding is appropriated by the Board. These resources are reflected as other financing sources at the time of receipt. Interest and other revenue are recognized as they are earned and become measurable and available to pay liabilities of the current period.

The proprietary fund type - internal service fund accounts for medical insurance coverage for the Sheriff's employees. Proprietary fund types use the accrual basis of accounting, where revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of related cash flows. In addition, proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items.

The focus on fiduciary type fund financial statements is by fund-type, not major fund. The Sheriff only has one fiduciary fund-type, the agency fund-type. Accordingly, there is only one column in the fiduciary fund financial statement.

Excess Fees

Florida Statutes provide that the amount by which revenues and transfers exceed annual expenditures be remitted to the Board within one month following the fiscal year for which the funding was provided or following the fiscal year during which other revenue was recognized. This requirement is reflected in the Sheriff's General Fund where the amount of this distribution is recorded as a liability and as another financing use.

Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of three months or less.

Prepaid Items

Certain prepayments to vendors reflect costs applicable to future accounting periods. These prepayments are recorded as expenditures in the year paid.

Deferred Inflows/Unearned Revenue

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

Compensated Absences

All full-time employees of the Sheriff are entitled to accrue unused compensatory time, annual vacation, and sick leave. The employees are generally allowed to accumulate compensatory and annual leave up to a maximum of 500 hours and receive pay for those hours at termination or retirement. Effective October 1, 2009, for terminations in good standing, the employee is paid for 25% of accumulated sick leave up to a total of 500 hours. Upon retirement, the employee is entitled to an additional percentage up to a total of 100% of total accumulated hours if the employee had ten or more years of service as of October 1, 2009, or 50% of up to 500 hours if the employee had less than ten years of service at October 1, 2009. For all payments of sick leave, the employee is paid at their pay rate effective at termination or retirement.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Concluded)

Vacation and sick leave payments are included in operating costs when the payments are made to the employees. The Sheriff does not, nor is he legally required to accumulate financial resources for these obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds but rather is reported in the basic financial statements of the County.

Fund Balances

The Sheriff implemented the provisions of GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) in 2011, as required. The purpose of GASB 54 was to improve the consistency and usefulness of fund balance information to the financial statement user. The statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components—nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash; or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.
- **Restricted**—This component of fund balances consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments); or (b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., policy) of the organization's governing authority. By statute, the Sheriff himself is the governing authority. These committed amounts cannot be used for any other purpose unless the Sheriff removes or changes the specified use by taking the same type of action (e.g., policy) he employed to constrain those amounts.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The Sheriff has not delegated the responsibility to assign fund balances to any individual or body.
- **Unassigned**—This classification is used for: (a) negative unrestricted fund balances in any governmental fund; or (b) fund balances within the General Fund that are not restricted, committed, or assigned.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Fund Balances (Concluded)

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

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2 - Budgetary Process

Florida Statutes, Sections 30.49, 129.021 and 129.03 govern the preparation, adoption, and administration of the Sheriff's annual budget. The Sheriff prepares individual budgets for the General Fund and the E-911 and 800 MHz Special Revenue Funds, and submits them to the Board for approval. Any budgets that are not subject to the approval of the Board of County Commissioners shall follow the same procedures as those approved by the Board with the exception that the Sheriff is the approver rather than the Board.

The budgets are prepared on a basis consistent with U.S. Generally Accepted Accounting Principles and serve as the legal authorization for expenditures. Amendments increasing total fund expenditures must be approved by the Sheriff and/or Board. Budgetary changes between or among expenditures within a fund may be made at the discretion of the Sheriff.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable to the fiscal year and approved by the Board within 60 days after year-end.

Note 3 - Cash and Investments

At September 30, 2014, the carrying value of the Sheriff's cash and cash equivalents was as follows:

	Carrying Value
Cash on Hand	\$ 11,700
Demand Deposits	6,698,368
Total Cash and Cash Equivalents	\$ 6,710,068

Such amounts are reported as \$6,275,199, \$348,204, and \$86,665 in the governmental, internal service, and agency funds, respectively. In addition, there is cash of \$4,378,140 held by the claims administrator reported in the internal service funds at year-end.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 3 - Cash and Investments (Concluded)

The Sheriff's bank deposits are held in qualified public depositories (QPDs) pursuant to Chapter 280, Florida Statutes. Under this Chapter, each QPD is required to pledge collateral to the State Treasurer against the public deposits. In the event of default by a QPD, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the QPD in default and, if necessary, assessments against other QPDs of the same type as the depositor in default.

Authorized Investments

The Sheriff has not adopted an investment policy and so, by statute, follows the state's guidance set forth in Section 219.075, Florida Statutes, regarding the deposit of funds received and the investment of surplus funds. That section requires local governments without written investment policies, including County officers, to follow the state policy in Section 218.415(17), Florida Statutes. That Section authorizes the following investments:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Florida Statute 163.01.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories.
- d. Direct obligations of the United States Treasury.

The Sheriff does not have policies that address credit risk, custodial credit risk, or interest rate risk. The Sheriff had no investments at year-end or during the year.

Note 4 - Interfund Balances

Interfund balances at September 30, 2014, consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 20,287	\$ 0
Inmate Welfare Fund	9,486	0
Agency Fund	<u>0</u>	<u>29,773</u>
Total Due to/Due from Other Funds	<u>\$ 29,773</u>	<u>\$ 29,773</u>

The receivables represent primarily fees collected in an agency fund for other funds. These fees are from jail inmates for subsistence fees, booking fees, medical fees, and commissions on commissary sales.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 5 - Capital Assets

Pursuant to Florida Statutes, the Sheriff can own tangible capital assets, and the Sheriff maintains custody and recordkeeping responsibility for these assets. However, office space and facilities used in the Sheriff's operations are provided at no cost by the Board.

Capital assets paid for by the Sheriff are recorded as expenditures in the governmental funds of the Sheriff but are capitalized in the basic financial statements of the County. The capitalization threshold is \$1,000. Donated capital assets are recorded at their estimated fair value on the date received. Effective October 1, 2010, the Sheriff is responsible for recording all grant-related assets regardless of whether the grant origin was Hernando County or the Sheriff. Depreciation is recorded at the County level. Most of the capital assets listed below are being depreciated over five years.

Capital asset activity for the tangible property over which the Sheriff has custodial and recordkeeping responsibility, for the year ended September 30, 2014, was as follows:

	<u>October 1,</u> <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2014</u>
Automobiles and Other Vehicles	\$ 8,672,628	\$ 922,171	\$ (1,658,398)	\$ 7,936,401
Furniture and Equipment	<u>9,581,793</u>	<u>860,507</u>	<u>(358,978)</u>	<u>10,083,322</u>
Total at Cost	18,254,421	1,782,678	(2,017,376)	18,019,723
(Less Accumulated Depreciation)	<u>(13,565,803)</u>	<u>(1,538,824)</u>	<u>1,927,881</u>	<u>(13,176,746)</u>
Book Value	<u>\$ 4,688,618</u>	<u>\$ 243,854</u>	<u>\$ (89,495)</u>	<u>\$ 4,842,977</u>

Proceeds from the sale or disposal of vehicles are netted against capital outlay in the accompanying statement of revenues, expenditures and changes in fund balance. Following is a reconciliation of 2014 capital asset additions above to capital outlay on the accompanying statement of revenues, expenditures and changes in fund balance:

	<u>2014</u>
Capital Outlay	\$ 1,486,982
Proceeds from Vehicle Sales/Disposals	108,614
Purchased by Other Entities	<u>187,082</u>
Total Additions	<u>\$ 1,782,678</u>

Net proceeds from the sale of aviation equipment totaling \$475,000 are recorded under other financing sources on the accompanying statement of revenues, expenditures and changes in fund balance.

Note 6 - Long-term Liability

The following is a summary of changes in general long-term liabilities, which are reported in the basic financial statements of the County:

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 6 - Long-term Liability (Concluded)

	<u>Balance</u> <u>October 1,</u> <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30,</u> <u>2014</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Installment Purchase; Interest at 6.66%, Maturity in April 2014, Payable in 24 Equal Quarterly Installments, Secured by Capital Assets	\$ 144,848	\$ 0	\$ (144,848)	\$ 0	\$ 0
Accrued Compensated Absences	<u>3,409,794</u>	<u>3,043,962</u>	<u>(2,634,574)</u>	<u>3,819,182</u>	<u>2,724,990</u>
Total	<u>\$ 3,554,642</u>	<u>\$ 3,043,962</u>	<u>\$ (2,779,422)</u>	<u>\$ 3,819,182</u>	<u>\$ 2,724,990</u>

The long-term liabilities for compensated absences are not reported in the financial statements of the Sheriff since they have not matured.

Note 7 - Detention Operations

For twenty-two years, the Hernando County jail was operated by a private corporation. Effective August 27, 2010, the Sheriff took over the detention operations based on an Interlocal Agreement between the Sheriff and the Board. The initial term of the agreement was through September 30, 2014, with an automatic renewal period of an additional three years.

Note 8 - General Fund Expenditures

General Fund Revenues and Expenditures for the year ended September 30, 2014, were as follows:

	<u>Total</u>	<u>Law</u> <u>Enforcement</u>	<u>Detention</u>	<u>Emergency</u> <u>Management</u>	<u>Courthouse</u>
Revenues					
Dispatching Fees	\$ 475,784	\$ 475,784	\$ 0	\$ 0	\$ 0
School Resource Officers	516,108	516,108	0	0	0
School Crossing Guards	137,570	137,570	0	0	0
Federal Inmates	19,138	0	19,138	0	0
Inmate Booking	52,735	0	52,735	0	0
Inmate Medical	40,360	0	40,360	0	0
Inmate Subsistence	197,473	0	197,473	0	0
Inmate Public Works	58,004	0	58,004	0	0
Inmate Social Security	<u>33,200</u>	<u>0</u>	<u>33,200</u>	<u>0</u>	<u>0</u>
Charges for Services	<u>1,530,372</u>	<u>1,129,462</u>	<u>400,910</u>	<u>0</u>	<u>0</u>
Interest Income	1,920	1,920	0	0	0
Miscellaneous	<u>80,452</u>	<u>80,452</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$ 1,612,744</u>	<u>\$ 1,211,834</u>	<u>\$ 400,910</u>	<u>\$ 0</u>	<u>\$ 0</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 8 - General Fund Expenditures (Concluded)

	<u>Total</u>	<u>Law Enforcement</u>	<u>Detention</u>	<u>Emergency Management</u>	<u>Courthouse</u>
Expenditures					
Personal Services	\$ 32,777,225	\$ 23,160,114	\$ 8,529,837	\$ 258,097	\$ 829,177
Operating Expenditures	6,192,286	3,843,907	2,054,367	51,042	242,970
Capital Outlay	<u>1,234,601</u>	<u>1,148,142</u>	<u>79,501</u>	<u>0</u>	<u>6,958</u>
Total Expenditures	<u>\$ 40,204,112</u>	<u>\$ 28,152,163</u>	<u>\$ 10,663,705</u>	<u>\$ 309,139</u>	<u>\$ 1,079,105</u>

Note 9 - Employee Retirement Plan

Membership in the Florida Retirement System (FRS) is required for all full-time and part-time employees in regularly established positions for state agencies, county governments, district school boards, state universities and state community colleges, or cities, independent special districts, metropolitan planning districts, and public charter schools that make an irrevocable election to participate. Certain members, including elected officials and local government senior managers, may elect to not participate in the system. The FRS Pension Plan is a cost-sharing, multiple employer, defined benefit public retirement system administered by the State of Florida, Division of Retirement. The FRS also offers eligible employees participation in an alternative defined contribution plan (the Investment Plan).

During its 2011 regular session, the State Legislature adopted legislation that made significant changes to the FRS with respect to employee contributions, employer contributions, and other items. These changes have been incorporated into the remainder of this Note.

For employees participating in the FRS Pension Plan, the normal retirement date depends on the employee's FRS enrollment date. For employees initially enrolled before July 1, 2011, normal retirement is reached at or after age 62 (age 55 for employees in the special risk category) with six years of credited service, or with 30 years of service (25 for employees in the special risk category) regardless of age. For employees initially enrolled on or after July 1, 2011, normal retirement is reached at or after age 65 (age 60 for employees in the special risk category) with eight years of credited service, or with 33 years of service (30 for employees in the special risk category) regardless of age.

The normal retirement benefit is payable monthly for life, at one-twelfth the yearly benefit. The yearly benefit depends on the membership class and payment option chosen. Under option one, a benefit for the retiree's life only, the yearly benefit at normal retirement is equal to 1.6% for regular employees, 2% for senior management, and 3% for special risk and county elected officials, for each year of credited service times their average final compensation. Benefits are increased annually by a Cost of Living Adjustment (COLA), except that there is no COLA on service earned on or after July 1, 2011. Average final compensation is the employee's average of the five highest years of salary earned during credited service (eight if the employee is initially enrolled on or after July 1, 2011).

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 9 - Employee Retirement Plan (Concluded)

Vesting in the Pension Plan occurs with six years of creditable service (eight years if initially enrolled on or after July 1, 2011). Vested employees may retire early and receive retirement benefits that are reduced 5% for each year the actual retirement date precedes the normal retirement date. Employees participating in the Investment Plan are vested after one year of service with no age requirement. The System also provides death and disability benefits (including in-line-of-duty disability). Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S-4, *Florida Administrative Code*.

The Deferred Retirement Option Program (DROP) is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS trust fund (increased by a COLA each July, but only through July 2011) and earn monthly interest equivalent to an annual rate of 6.50% (1.30% for employees entering DROP on or after July 1, 2011). When the DROP period ends, the DROP account is paid out as a lump sum payment, a rollover, or a combination, and monthly benefits are subsequently paid to the member in the amount as calculated upon entry into DROP, plus COLA's for intervening years, where applicable. In most cases, the DROP participant must cease employment when the DROP period ends.

Each year, the Florida Legislature establishes the uniform contribution rates applicable to both the FRS Pension Plan and the Investment Plan. Prior to July 1, 2011, members were not required to make employee contributions; the employers paid all required contributions. Effective July 1, 2011, all Investment Plan and FRS Pension Plan members (except those in the DROP) are required to contribute 3% of their gross compensation on a pre-tax basis. Actuarial information and related disclosures attributable to the Sheriff's employees are not determinable. The fiscal year-end June 30, 2015 and 2014 contribution rates by member class are as follows: regular employees (7.37% and 6.95%), special-risk (19.82% and 19.06%), DROP participants (12.28% and 12.84%), senior management (21.14% and 18.31%), and elected officials (43.24% and 33.03%). The Sheriff's contributions to the Plan for the years ended September 30, 2014, 2013, and 2012 (employer portion) were \$3,594,499, \$2,883,098, and \$2,615,030, respectively, equal to the actuarially determined contribution requirements for each fiscal year.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

Note 10 - Other Postemployment Benefits

The Sheriff offers postemployment health care benefits and life insurance to all retired former employees of the Sheriff's Office and their eligible dependents. Participating retirees are required to reimburse the Sheriff for the entire premium cost. These retirees are receiving an "implicit subsidy" because the premium is a group rate which includes active, lower cost employees. The implicit subsidy has a cost which under GAAP is required to be disclosed in these financial statements. However, this annual cost, the accrued obligation, and other required disclosures have been calculated for the County as a whole, and not separately for the Sheriff's Office. Accordingly, these calculations and disclosures can be found in the County-wide financial report.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Continued)

Note 10 - Other Postemployment Benefits (Concluded)

In accordance with Florida Statutes 112.19(1)(g), if a law enforcement officer is killed as a result of an act of violence inflicted by another person while the officer is engaged in the performance of law enforcement duties, the entire premium of the health insurance plan for the officer's surviving spouse, until remarried, and dependent children, is paid by the Sheriff. During the year ended September 30, 2014, \$25,097 was paid on behalf of the survivors who qualified.

Note 11 - Risk Management

The Sheriff participates in the Florida Sheriff's Risk Management Fund to insure against automobile, workers' compensation, and general liabilities claims. Except as disclosed in the next paragraph, there have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for any of the last three years.

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

Note 12 - Self-Insurance Internal Service Fund

The self-insurance program was established under Florida Statute 112.08 to reduce employee medical costs for the Sheriff's Office. The program is administered by an outside third party, and uses a combination of self-insurance and specific and aggregate stop-loss coverage to minimize risk exposure. It is accounted for in an internal service fund. Fund revenues are primarily contributions from other funds, retirees, and employees, for amounts needed to pay insurance premiums, anticipated self-insured losses, and administrative expenses.

Changes in claims liability amounts for the years ended September 30, 2014 and 2013, were as follows:

	<u>2014</u>	<u>2013</u>
Unpaid Claims, Beginning of Year	\$ 234,977	\$ 667,309
Incurred Claims	3,258,476	1,977,252
Claim Payments	(3,241,455)	(2,409,584)
Unpaid Claims, End of Year	<u>\$ 251,998</u>	<u>\$ 234,977</u>

Note 13 - 800 MHz Fund

In 2013, the Board approved a county-wide radio system P25 upgrade. In conjunction with that project, the Sheriff transferred \$413,500 in 2013 and \$163,500 in 2014 from the 800 MHz fund to the Board to assist with the funding of that project.

HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(Concluded)

Note 14 - Leases

Revenue of the 800 MHz Fund includes lease payments received for space leased on the County's primary tower site. The lease began December 16, 1997, between the Board and Cingular (Tenant). The second amendment, effective October 1, 2007, amended the lease term to include a new initial term of sixty months, plus up to five additional sixty-month terms, built-in rate increases at the beginning of each renewal term. The Board has informally assigned the rights to the lease revenue to the Sheriff to operate the system. The Tenant pays \$5,407 per month. The amount of the lease revenue for the year ended September 30, 2014, was \$64,889.

As of September 30, 2014, future minimum rentals to be received are as follows:

Year	Amount
2015	\$ 64,889
2016	64,889
2017	64,889
2018	74,622
2019	74,622
2020-2024	395,496
2025-2029	454,820
2030-2034	523,043
2035-2037	340,472
Total	\$ 2,057,742

Note 15 - Claims and Contingencies

Litigation

The Sheriff is involved as defendant or plaintiff in certain litigation and claims arising from the ordinary course of operations. Any judgments against the Sheriff in excess of insurance limits would be settled by the Board. In the opinion of the Sheriff and legal counsel, the range of potential recoveries or liabilities will not materially affect the financial position of the Sheriff.

Federal and State Grants

Grant funds received by the Sheriff are subject to audit by grantor agencies. Audits of these grants may result in the disallowed costs, which may constitute a liability of the Sheriff. In the opinion of management disallowed costs, if any, would be insignificant to the financial position and operations of the Sheriff.

OTHER FINANCIAL INFORMATION

HERNANDO COUNTY, FLORIDA
SHERIFF
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

Special revenue funds are used to account for the proceeds of special revenue sources that are legally restricted to specified purposes. The Sheriff has the following nonmajor special revenue funds:

- **Law Enforcement Education Fund (L.E.E.)**—This fund derives its resources from court cost assessments pursuant to Sections 938.15 and 318.18 of the Florida Statutes. The assessments are collected by the Clerk of the Circuit Court and remitted to the Sheriff monthly. Use of the funds received is restricted to criminal justice education and training in programs approved by the Florida Police Training and Standards Commission.
- **Child Saver Program Fund**—This fund derives its resources from funds received for the rental of infant and toddler car seats. The nonrefundable service fees charged are to be used for the maintenance and repair of returned car seats and to assist in the purchase of additional seats to expand the program as the population of the County grows and there is additional demand for car seats.
- **Grants and Contributions Fund**—This fund derives its resources from grants and donations. Each grant and donation is separately accounted for within the fund, to assure proper accounting in accordance with the grant agreements.

**HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Law Enforcement Education	Child Saver Program	Grants and Contributions	
Assets				
Cash and Cash Equivalents	\$ 389,966	\$ 4,015	\$ 408,012	\$ 801,993
Due from Other Governments	6,679	0	24,122	30,801
Total Assets	<u>396,645</u>	<u>4,015</u>	<u>432,134</u>	<u>832,794</u>
Liabilities				
Accounts Payable	104	0	449	553
Accrued Wages and Benefits Payable	0	0	3,462	3,462
Deposits	0	260	0	260
Total Liabilities	<u>104</u>	<u>260</u>	<u>3,911</u>	<u>4,275</u>
Fund Balances				
Restricted for:				
Law Enforcement Activities	0	0	428,223	428,223
Education and Training	396,541	0	0	396,541
Other	0	3,755	0	3,755
Total Fund Balances	<u>396,541</u>	<u>3,755</u>	<u>428,223</u>	<u>828,519</u>
Total Liabilities and Fund Balances	<u>\$ 396,645</u>	<u>\$ 4,015</u>	<u>\$ 432,134</u>	<u>\$ 832,794</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Law Enforcement Education	Child Saver Program	Grants and Contributions	
Revenues				
Intergovernmental	\$ 0	\$ 0	\$ 181,090	\$ 181,090
Charges for Services	0	620	0	620
Fines and Forfeitures	91,406	0	0	91,406
Interest Revenue	107	0	97	204
Miscellaneous	0	0	66,500	66,500
Total Revenues	91,513	620	247,687	339,820
Expenditures				
Public Safety:				
Personal Services	0	0	128,977	128,977
Operating Expenditures	17,966	4,902	28,534	51,402
Capital Outlay	0	0	217,813	217,813
(Total Expenditures)	(17,966)	(4,902)	(375,324)	(398,192)
Excess (Deficiency) of Revenues Over (Under) Expenditures	73,547	(4,282)	(127,637)	(58,372)
Other Financing Sources (Uses)				
Sales of Capital Assets	0	0	475,000	475,000
Net Change in Fund Balance	73,547	(4,282)	347,363	416,628
Fund Balances, Beginning of Year	322,994	8,037	80,860	411,891
Fund Balances, End of Year	\$ 396,541	\$ 3,755	\$ 428,223	\$ 828,519

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LAW ENFORCEMENT EDUCATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and Forfeitures	\$ 80,000	\$ 80,000	\$ 91,406	\$ 11,406
Interest Revenue	100	100	107	7
Total Revenues	<u>80,100</u>	<u>80,100</u>	<u>91,513</u>	<u>11,413</u>
Expenditures				
Public Safety:				
Operating Expenditures	60,400	60,400	17,966	42,434
(Total Expenditures)	<u>(60,400)</u>	<u>(60,400)</u>	<u>(17,966)</u>	<u>42,434</u>
Excess of Revenues Over Expenditures	19,700	19,700	73,547	53,847
Other Financing (Uses) Sources				
Reserve for Contingencies	(342,694)	(342,694)	0	342,694
Net Change in Fund Balance	(322,994)	(322,994)	73,547	396,541
Fund Balance, Beginning of Year	<u>322,994</u>	<u>322,994</u>	<u>322,994</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 396,541</u>	<u>\$ 396,541</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS AND CONTRIBUTIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 192,304	\$ 214,736	\$ 181,090	\$ (33,646)
Interest Revenue	0	0	97	97
Miscellaneous	500	65,500	66,500	1,000
Total Revenues	<u>192,804</u>	<u>280,236</u>	<u>247,687</u>	<u>(32,549)</u>
Expenditures				
Public Safety:				
Personal Services	107,849	128,591	128,977	(386)
Operating Expenditures	85,218	82,659	28,534	54,125
Capital Outlay	79,690	500,938	217,813	283,125
(Total Expenditures)	<u>(272,757)</u>	<u>(712,188)</u>	<u>(375,324)</u>	<u>336,864</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(79,953)</u>	<u>(431,952)</u>	<u>(127,637)</u>	<u>304,315</u>
Other Financing Sources (Uses)				
Sales of Capital Assets	0	475,000	475,000	0
Reserve for Contingencies	(1,007)	(124,008)	0	124,008
Total Other Financing Sources (Uses)	<u>(1,007)</u>	<u>350,992</u>	<u>475,000</u>	<u>124,008</u>
Net Change in Fund Balance	(80,960)	(80,960)	347,363	428,323
Fund Balance, Beginning of Year	<u>80,960</u>	<u>80,960</u>	<u>80,860</u>	<u>(100)</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 428,223</u>	<u>\$ 428,223</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2014

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

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

**HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2014**

	<u>Health</u>	<u>Dental</u>	<u>Total Internal Service</u>
Assets			
Cash with Fiscal Agent	\$ 4,697,359	\$ 28,985	\$ 4,726,344
Accounts Receivable	144,734	0	144,734
Total Assets	<u>4,842,093</u>	<u>28,985</u>	<u>4,871,078</u>
Liabilities			
Accounts Payable	626,988	0	626,988
Liability for Unpaid Claims	251,998	0	251,998
Unearned Revenue	320,260	18,985	339,245
Total Liabilities	<u>1,199,246</u>	<u>18,985</u>	<u>1,218,231</u>
Net Position			
Unrestricted	3,642,847	10,000	3,652,847
Total Net Position	<u>\$ 3,642,847</u>	<u>\$ 10,000</u>	<u>\$ 3,652,847</u>

**HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Health</u>	<u>Dental</u>	<u>Total Internal Service</u>
Operating Revenues			
Interfund Charges	\$ 3,660,420	\$ 10,000	\$ 3,670,420
Premiums - Employees	618,047	0	618,047
Premiums - Retirees	333,446	0	333,446
Miscellaneous	48,728	0	48,728
Total Operating Revenues	<u>4,660,641</u>	<u>10,000</u>	<u>4,670,641</u>
Operating Expenses			
Claims	3,241,455	0	3,241,455
Professional Services	473,330	0	473,330
Insurance	253,906	0	253,906
(Total Operating Expenses)	<u>(3,968,691)</u>	<u>0</u>	<u>(3,968,691)</u>
Operating Income	691,950	10,000	701,950
Nonoperating Revenues			
Interest	<u>3,552</u>	<u>0</u>	<u>3,552</u>
Change in Net Position	695,502	10,000	705,502
Net Position, Beginning of Year	<u>2,947,345</u>	<u>0</u>	<u>2,947,345</u>
Net Position, End of Year	<u>\$ 3,642,847</u>	<u>\$ 10,000</u>	<u>\$ 3,652,847</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Health</u>	<u>Dental</u>	<u>Total Internal Service</u>
Cash Flows from Operating Activities			
Cash Received from Interfund Charges	\$ 3,654,201	\$ 28,985	\$ 3,683,186
Cash Received from Employees	618,047	0	618,047
Cash Received from Retirees	333,446	0	333,446
Other Cash Receipts	48,729	0	48,729
Payments to Suppliers	(727,236)	0	(727,236)
Claims Paid	(2,927,276)	0	(2,927,276)
Net Cash Provided by Operating Activities	<u>999,911</u>	<u>28,985</u>	<u>1,028,896</u>
Cash Flows From Investing Activities			
Interest Received	<u>3,552</u>	<u>0</u>	<u>3,552</u>
Net Increase in Cash	1,003,463	28,985	1,032,448
Cash, Beginning of Year	<u>3,693,896</u>	<u>0</u>	<u>3,693,896</u>
Cash, End of Year	<u>\$ 4,697,359</u>	<u>\$ 28,985</u>	<u>\$ 4,726,344</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income	<u>\$ 691,950</u>	<u>\$ 10,000</u>	<u>\$ 701,950</u>
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable	(98,054)	0	(98,054)
Increase in Accounts Payable	395,212	0	395,212
Increase in Liability for Unpaid Claims	17,021	0	17,021
Increase (Decrease) in Unearned Revenue	(6,218)	18,985	12,767
Total Adjustments	<u>307,961</u>	<u>18,985</u>	<u>326,946</u>
Net Cash Provided by Operating Activities	<u>\$ 999,911</u>	<u>\$ 28,985</u>	<u>\$ 1,028,896</u>

HERNANDO COUNTY, FLORIDA
SHERIFF
AGENCY FUNDS
SEPTEMBER 30, 2014

Agency funds are used to account for assets held by the Sheriff in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Sheriff has the following agency funds:

- **Civil Trust Fund**—This fund is used to account for fees received by the Sheriff for serving documents (civil process) pursuant to Florida Statute 30.231(5). The funds received are returned to the Board of County Commissioners on a monthly basis. This fund is also used for cost deposits provided by plaintiffs or their attorneys in advance, to pay for the Sheriff's statutory fees and costs in executing Sheriff's Levies and Writs of Attachment.

- **Inmate Trust Fund**—This fund accounts for inmate personal accounts and the proceeds from certain inmate programs.

HERNANDO COUNTY, FLORIDA
SHERIFF
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2014

	Civil Trust Fund	Inmate Trust Fund	Total Agency Funds
Assets			
Cash and Cash Equivalents	\$ 15,536	\$ 71,129	\$ 86,665
Total Assets	<u>15,536</u>	<u>71,129</u>	<u>86,665</u>
Liabilities			
Accounts Payable	0	29,771	29,771
Due to Other Funds	0	29,773	29,773
Due to Other Governments	9,712	0	9,712
Deposits	5,824	11,585	17,409
Total Liabilities	<u>\$ 15,536</u>	<u>\$ 71,129</u>	<u>\$ 86,665</u>

OTHER REPORTS

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

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Hernando County, Florida, Sheriff (the Sheriff), as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 24, 2014, which was modified to state that the financial statements are not intended to be a complete presentation of Hernando County, Florida, as a whole.

Internal Control Over Financial Reporting

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

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

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

Certified Public Accountants

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Honorable Al Nienhuis
Sheriff
Hernando County, Florida

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

Compliance and Other Matters

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

Purpose of this Report

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

Purvis, Gray and Company, LLP

December 24, 2014
Sarasota, Florida

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

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

Report on Compliance

We have examined Hernando County, Florida, Sheriff's (the Sheriff) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2014, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

Management's Responsibility

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

Accountants' Responsibility

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

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

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

Opinion

In our opinion, the Sheriff complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

Restriction on Use

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

Purvis, Gray and Company, LLP

December 24, 2014
Sarasota, Florida

Certified Public Accountants

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MANAGEMENT LETTER

Honorable Al Nienhuis
Sheriff
Hernando County, Florida

Report on the Financial Statements

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Hernando County, Florida, Sheriff (the Sheriff), as of and for the year ended September 30, 2014, and have issued our report thereon dated December 24, 2014, which was modified to state that the financial statements are not intended to be a complete presentation of Hernando County, Florida as a whole.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes. Disclosures in those reports, which are dated December 24, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. In that regard, the Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Sheriff.

Certified Public Accountants

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Honorable Al Nienhuis
Sheriff
Hernando County, Florida

MANAGEMENT LETTER
(Concluded)

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., *Rules of Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of the Letter

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

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

Purvis, Gray and Company, LLP

December 24, 2014
Sarasota, Florida