



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, 2016, and the related notes to the 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 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, 2016, 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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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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, 2016, 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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's financial statements. The supplementary 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 January 6, 2017, 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.

Quinn, Gray and Company, LLP

January 6, 2017
Sarasota, Florida

HERNANDO COUNTY, FLORIDA
SHERIFF
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Federal Forfeitures	E-911	Federal Inmates	Nonmajor Governmental Funds	Total
Assets						
Cash and Cash Equivalents	\$ 3,012,982	\$ 832,552	\$ 665,875	\$ 1,210,705	\$ 1,195,984	\$ 6,918,098
Accounts Receivable	0	0	0	0	20,312	20,312
Due from Other Funds	21,500	0	0	0	10,834	32,334
Due from Other Governments	35,658	0	187,071	189,933	37,639	450,301
Total Assets	3,070,140	832,552	852,946	1,400,638	1,264,769	7,421,045
Liabilities, Deferred Inflows, and Fund Balances						
Liabilities						
Accounts Payable	636,222	0	11,679	0	10,290	658,191
Accrued Wages and Benefits Payable	1,630,332	0	8,615	0	11,674	1,650,621
Due to Hernando County, Florida, Board of County Commissioners	803,566	0	0	0	0	803,566
Due to Other Governments	20	0	0	0	0	20
Deposits	0	0	0	0	140	140
Total Liabilities	3,070,140	0	20,294	0	22,104	3,112,538
Deferred Inflows						
Unavailable Revenues	0	0	124,714	37,761	0	162,475
Fund Balances						
Restricted for:						
Law Enforcement Activities	0	832,552	0	0	113,247	945,799
Communications	0	0	707,938	0	212,071	920,009
Education and Training	0	0	0	0	470,618	470,618
Inmate Benefits	0	0	0	1,362,877	441,535	1,804,412
Other	0	0	0	0	5,194	5,194
Total Fund Balances	0	832,552	707,938	1,362,877	1,242,665	4,146,032
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 3,070,140	\$ 832,552	\$ 852,946	\$ 1,400,638	\$ 1,264,769	\$ 7,421,045

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General	Federal Forfeitures	E-911	Federal Inmates	Nonmajor Governmental Funds	Total
Revenues						
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,889	\$ 162,889
Charges for Services	1,577,875	0	750,481	1,362,795	498,946	4,190,097
Fines and Forfeitures	0	66,370	0	0	218,293	284,663
Interest Revenue	21,394	207	2,380	82	2,091	26,154
Miscellaneous	104,388	0	0	0	108,892	213,280
Total Revenues	<u>1,703,657</u>	<u>66,577</u>	<u>752,861</u>	<u>1,362,877</u>	<u>991,111</u>	<u>4,877,083</u>
Expenditures						
Public Safety:						
Personnel Services	35,695,083	39,047	407,116	0	314,064	36,455,310
Operating Expenditures	5,700,691	0	329,809	0	574,730	6,605,230
Capital Outlay	1,217,704	0	2,396	0	34,022	1,254,122
Court Services:						
Personal Services	943,723	0	0	0	0	943,723
Operating Expenditures	261,136	0	0	0	0	261,136
(Total Expenditures)	<u>(43,818,337)</u>	<u>(39,047)</u>	<u>(739,321)</u>	<u>0</u>	<u>(922,816)</u>	<u>(45,519,521)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(42,114,680)</u>	<u>27,530</u>	<u>13,540</u>	<u>1,362,877</u>	<u>68,295</u>	<u>(40,642,438)</u>
Other Financing Sources (Uses)						
Transfers in:						
Hernando County, Florida, Board of County Commissioners Appropriations	42,918,246	0	0	0	0	42,918,246
Transfers (out):						
Hernando County, Florida, Board of County Commissioners: Excess Fees	(803,566)	0	0	0	0	(803,566)
Total Other Financing Sources (Uses)	<u>42,114,680</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>42,114,680</u>
Net Change in Fund Balance	<u>0</u>	<u>27,530</u>	<u>13,540</u>	<u>1,362,877</u>	<u>68,295</u>	<u>1,472,242</u>
Fund Balance, Beginning of Year	<u>0</u>	<u>805,022</u>	<u>694,398</u>	<u>0</u>	<u>1,174,370</u>	<u>2,673,790</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 832,552</u>	<u>\$ 707,938</u>	<u>\$ 1,362,877</u>	<u>\$ 1,242,665</u>	<u>\$ 4,146,032</u>

See accompanying notes.

HERNANDO COUNTY, FLORIDA
SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FEDERAL INMATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 0	\$ 1,400,000	\$ 1,362,795	\$ (37,205)
Interest Revenue	0	0	82	82
Total Revenues	<u>0</u>	<u>1,400,000</u>	<u>1,362,877</u>	<u>(37,123)</u>
Expenditures				
Public Safety:				
(Total Expenditures)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	0	1,400,000	1,362,877	(37,123)
Other Financing Sources (Uses)				
Reserves	<u>0</u>	<u>(1,400,000)</u>	<u>0</u>	<u>1,400,000</u>
Net Change in Fund Balance	0	0	1,362,877	1,362,877
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>\$ 1,362,877</u>	<u>\$ 1,362,877</u>

See accompanying notes.

**HERNANDO COUNTY, FLORIDA
SHERIFF
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(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.
- **Federal Inmates Fund**—This fund is used to account for the proceeds of housing federal inmates at the detention facility, as well as associated guard and transport reimbursements.

The Sheriff also reports the following nonmajor special revenue funds:

- 800 MHz Fund
- Inmate Welfare Fund
- 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 Sheriff's Office
General Fund Support
Fiscal Year 2016 - 2017

Budgeted Expenditures	Approved Budget FY2015	Approved Budget FY2016	Approved Budget FY2017	FY2017 to FY2016 Difference	% Change
Law Enforcement	\$ 29,754,239	\$ 30,686,326	\$ 31,662,615	\$ 976,289	3.18%
Detention Division	11,379,923	11,959,785	12,245,275	\$ 285,490	2.39%
Emergency Management	336,770	346,651	346,651	\$ -	0.00%
Courthouse Security	1,212,367	1,206,319	1,231,986	\$ 25,667	2.13%
Total Budgeted Expenditures	\$ 42,683,299	\$ 44,199,081	\$ 45,486,527	\$ 1,287,446	2.91%
Budgeted Contract Revenues	\$ 1,344,007	\$ 1,280,835	\$ 1,311,723	\$ 30,888	2.41%
General Fund Support	\$ 41,339,292	\$ 42,918,246	\$ 44,174,804	\$ 1,256,558	2.93%

Approved budget after appeal settlement 3/28/2017

FY2015 - Began collecting Federal Inmate Housing Revenue
FY2017 - Moved Federal Inmate Housing Revenue to a Special Revenue Fund

Hernando County Sheriff's Office
Revenue
Fiscal Year 2016 - 2017

<u>Contract Revenue</u>	<u>Approved Budget FY2016</u>	<u>Approved Budget FY2017</u>
School Resource Officer Reimbursement - School Board	\$ 568,000	\$ 585,040
School Crossing Guards	152,357	163,160
Emergency Dispatching Fees	499,573	499,573
Inmate Work Squad - Dept of Public Works	60,905	63,950
Revenues reducing the Net General Fund Support		
	\$ 1,280,835	\$ 1,311,723
<u>Other Revenue</u>		
Interest Income		
Miscellaneous Revenue	22,500	20,000
	72,750	62,700
Federal Inmate Housing		
Inmate Medical Reimbursements	200,000	-
Inmate Social Security	30,000	30,000
Inmate Processing Fees	25,000	25,000
Inmate Subsistence Fees	49,000	50,000
	175,000	175,000
Other Revenue to be returned to BCC		
	\$ 574,250	\$ 362,700
<u>Total - Revenue collected by HCSO</u>		
	\$ 1,855,085	\$ 1,674,423
Civil Fees collected by BCC		
	\$ 130,000	\$ 130,000
<u>Total - Revenue Law Enforcement and Detention</u>		
	\$ 1,985,085	\$ 1,804,423

Hernando County Sheriff's Office
General Fund Support
Fiscal Year 2016 - 2017 - Amended

Budgeted Expenditures	Approved Budget FY2016	Approved Budget FY2016	Approved Budget FY2017	Amended Budget FY2017	FY2017 to FY2016 Difference	% Change
Law Enforcement	\$ 29,754,239	\$ 30,686,326	\$ 31,662,615	\$ 31,662,615	\$ 976,289	3.18%
Detention Division	11,379,923	11,959,785	12,245,275	12,245,275	\$ 285,490	2.39%
Emergency Management	336,770	346,651	346,651	202,213	\$ (144,438)	-41.67%
Courthouse Security	1,212,367	1,206,319	1,231,986	1,231,986	\$ 25,667	2.13%
Total Budgeted Expenditures	\$ 42,683,299	\$ 44,199,081	\$ 45,486,527	\$ 45,342,089	\$ 1,143,008	2.59%
Budgeted Contract Revenues	\$ 1,344,007	\$ 1,280,835	\$ 1,311,723			
General Fund Support	\$ 41,339,292	\$ 42,918,246	\$ 44,174,804	\$ 45,342,089	\$ 2,423,843	5.65%

Approved budget after appeal settlement 3/28/2017

FY2015 - Began collecting Federal Inmate Housing Revenue

FY2017 - Moved Federal Inmate Housing Revenue to a Special Revenue Fund

FY2017 Amended 5/1/17 - BOCC moved Emergency Management to the BOCC: - \$144,438

FY2017 Amended July 2017 - Moved contract revenue responsibility from Sheriff's Office to BOCC: + \$1,311,723

Hernando County Sheriff's Office
Revenue
Fiscal Year 2016 - 2017 - Amended

	Approved Budget FY2016		Approved Budget FY2017
<u>Contract Revenue</u>			
School Resource Officer Reimbursement - School Board	\$ 568,000	\$	585,040
School Crossing Guards	152,357		163,160
Emergency Dispatching Fees	499,573		499,573
Inmate Work Squad - Dept of Public Works	60,905		63,950
Revenues reducing the Net General Fund Support			
Moved to county for collection July 2017	\$ 1,280,835	\$	1,311,723
			<u>(1,311,723)</u>
Interest Income	22,500		20,000
Miscellaneous Revenue	72,750		62,700
Federal Inmate Housing - moved to Special Revenue Fund	200,000		-
Inmate Medical Reimbursements	30,000		30,000
Inmate Social Security	25,000		25,000
Inmate Processing Fees	49,000		50,000
Inmate Subsistence Fees	175,000		175,000
Revenue to be returned to BOCC			
	\$ 574,250	\$	362,700
Civil Fees collected by BCC	\$ 130,000	\$	130,000
<u>Total - Revenue Law Enforcement and Detention</u>	\$ 704,250	\$	492,700

2018 HCSO BUDGET

Move eligible needs to other funding sources:

School Board Revenue (*additional SRO*): \$ 71,000

General Fund 2017 excess:

- Capital & IT needs

\$ 54,321

Federal Inmate Fund (*detention fund*):

- Capital & IT needs
- Classification Deputy

\$251,490

\$ 64,948

IWF (*detention fund*):

- Courthouse holding cell cameras

\$ 27,311

Law Enforcement Education Fund:

- Sworn Education and Training needs

\$109,000

McClanahan, Terri

From: McClanahan, Terri
Sent: Friday, June 23, 2017 11:14 AM
To: 'Helen Painter'
Cc: Moyer, Brian; Bert Martinez; Mark White
Subject: RE: Response to Newspaper Article Inquiry
Attachments: Interlocal Agreement Jail.pdf

Helen,

I have attached the current MOU for your file. When you follow up with the County about our conversation, will you please copy me or forward the email to me for our records? We are hoping for better communications with the county as we move forward.

Have a terrific day!

Terri McClanahan, CGFO, CDM
Comptroller
Hernando County Sheriff's Office
PO Box 10070
Brooksville, FL 34603-0070
(352) 797-3611
(352) 797-3610 fax
tmccclanahan@hernandosheriff.org



From: Helen Painter [<mailto:HelenP@purvisgray.com>]
Sent: Friday, June 23, 2017 10:46 AM
To: McClanahan, Terri
Cc: Moyer, Brian; Bert Martinez; Mark White
Subject: FW: Response to Newspaper Article Inquiry

Terri-

Please see below our response yesterday to Jon Jouben.

Also, could you please email us the current MOU with the Sheriff and the Board although I know that you are currently trying to update this.

Thank you.

Helen

*Helen Y. Painter, CPA
Audit Partner*

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Ocala, Florida 34471
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Phone 352-732-3872
FAX 352-732-0542
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From: Bert Martinez
Sent: Thursday, June 22, 2017 5:00 PM
To: Jon Jouben <JJouben@co.hernando.fl.us>
Cc: Helen Painter <HelenP@purvisgray.com>; Mark White <MarkWhite@purvisgray.com>
Subject: Response to Newspaper Article Inquiry

Jon,

In response to your inquiry today about a newspaper article in the Tampa Bay Times regarding "Hernando commissioners question sheriff's accounting for federal inmate dollars, our firm has the following response:

The Sheriff's office asked us if it was permissible to account for the federal revenues in a Special Revenue Fund to keep the money separate due to the restriction that the money be used only for federal prisoners. We advised them that a Special Revenue Fund was appropriate because of the restriction and it follows the definition of a Special Revenue Fund in accordance with the Governmental Accounting Standards Board (GASB).

At the end of the fiscal year ending September 30, 2016, the money remained in the Sheriff's Special Revenue Fund, presented in the annual audit as fund balance restricted for inmate benefits.

We have not performed any interim work to date on the 2017 audit and are not aware of the current status of the money from 2016 or any that might have been received in 2017.

Bert Martinez, CPA
Senior Audit Manager
Bert A. Martinez, CPA
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McClanahan, Terri

From: McClanahan, Terri
Sent: Friday, June 23, 2017 11:56 AM
To: Maurer, Mike; Fritton, Joel
Subject: Fwd: Discussions with Sheriff's office personnel

----- Original message -----

From: Helen Painter <HelenP@purvisgray.com>
Date: 6/23/17 11:43 AM (GMT-05:00)
To: Jon Jouben <JJouben@hernandocounty.us>
Cc: "McClanahan, Terri" <tmccclanahan@hernandosheriff.org>, "Moyer, Brian" <bmoyer@hernandosheriff.org>, Mark White <MarkWhite@purvisgray.com>, Bert Martinez <bam@purvisgray.com>
Subject: Discussions with Sheriff's office personnel

Good Morning Jon-

This morning we had a conference call with the Sheriff's office and wanted to report back to you.

To recap our understanding of the current discussion regarding the Sheriff's federal inmate money:

The funds received were reported in the Sheriff's 2016 audited Financial Statements on pages 3, 4 and 8 in a Special Revenue Fund identified as restricted for federal inmates. The reporting is fully transparent, indicating that the total amounts received were put into reserves in accordance with the Sheriff's budget. It is our understanding from discussions with Sheriff's office personnel that these reserves are being accumulated to fund future capital outlay associated with the detention facility where the federal inmates are housed.

Additionally, we were informed that none of the money has been spent to date and remains in the Special Revenue Fund along with funds received in 2017. We recommend that the Board and the Sheriff engage in discussions and agree on the use of the money before the 2017 fiscal year end is over and budget accordingly for the 2018 fiscal year.

We hopes that this clarifies the current placement of the funds and again encourage discussions to ensure a clear understanding between both parties on how the funds are to be utilized.

Best regards,

Helen Painter

*Helen Y. Painter, CPA
Audit Partner
Purvis, Gray & Company*