

SANTA ROSA COUNTY, FLORIDA SHERIFF

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

SANTA ROSA COUNTY, FLORIDA SHERIFF

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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SANTA ROSA COUNTY, FLORIDA SHERIFF

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Wendell Hall
Sheriff
Santa Rosa County, Florida

We have audited the accompanying special-purpose financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as "Sheriff") as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Sheriff's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note A to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Sheriff, nor are they intended to be a complete presentation of the financial position and changes in financial position of Santa Rosa County, Florida, taken as a whole.

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, 2010, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2011, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on page 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the fund level financial statements. The accompanying supplementary information, the Combining Balance Sheet - All Non-Major Governmental Funds, Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - All Non-Major Governmental Funds, and Combining Schedule of Fiduciary Net Assets - All Agency Funds are presented for purposes of additional analysis and are not a required part of these financial statements. This supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

O'Sullivan Grell, LLP

February 23, 2011

Santa Rosa County, Florida Sheriff
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2010

	Major Funds		Non-major	
	General	Jail Commissary	Other	Total
ASSETS				
Cash	\$ 1,711,189	\$ 769,819	\$ 276,748	\$ 2,757,756
Due from other funds	347,530	938	--	348,468
Due from other governmental units	381,734	--	147,763	529,497
Accounts receivable	4,869	23,433	--	28,302
Inventory	48,563	--	--	48,563
Total assets	<u>\$ 2,493,885</u>	<u>\$ 794,190</u>	<u>\$ 424,511</u>	<u>\$ 3,712,586</u>
LIABILITIES				
Accounts payable and accrued payroll	\$ 1,428,097	\$ 7,017	\$ 2,927	\$ 1,438,041
Due to other funds	938	43,782	303,748	348,468
Due to other governmental units	1,064,850	--	--	1,064,850
Unearned revenue	--	--	81,190	81,190
Total liabilities	<u>2,493,885</u>	<u>50,799</u>	<u>387,865</u>	<u>2,932,549</u>
FUND BALANCE				
Fund balance				
Unreserved	--	743,391	--	743,391
Reserved for law enforcement training	--	--	36,646	36,646
Total fund balance	<u>--</u>	<u>743,391</u>	<u>36,646</u>	<u>780,037</u>
 Total liabilities and fund balance	 <u>\$ 2,493,885</u>	 <u>\$ 794,190</u>	 <u>\$ 424,511</u>	 <u>\$ 3,712,586</u>

The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida Sheriff
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended September 30, 2010

	Major		Non-Major	
	General	Jail Commissary	Other	Total
REVENUES				
Intergovernmental	\$ --	\$ --	\$ 917,839	\$ 917,839
Miscellaneous	3,485	257,221	133	260,839
Total revenues	3,485	257,221	917,972	1,178,678
EXPENDITURES				
Current				
General government				
Judicial				
Personal services	890,463	--	--	890,463
Operating	26,710	--	--	26,710
Public safety				
Law enforcement				
Personal services	15,167,307	--	686,857	15,854,164
Operating	2,928,339	--	101,389	3,029,728
Capital outlay	-	--	165,783	165,783
Correction and detention				
Personal services	6,827,380	86,448	--	6,913,828
Operating	2,989,689	218,672	--	3,208,361
Capital outlay	--	2,950	--	2,950
Total expenditures	28,829,888	308,070	954,029	30,091,987
Excess (deficiency) of revenues over expenditures	(28,826,403)	(50,849)	(36,057)	(28,913,309)
OTHER FINANCING SOURCES (USES)				
Board of County Commissioners appropriation	29,410,490	--	--	29,410,490
Board of County Commissioners excess fees	(584,087)	--	--	(584,087)
Total other financing sources (uses)	28,826,403	--	--	28,826,403
Net change in fund balances	--	(50,849)	(36,057)	(86,906)
FUND BALANCES, BEGINNING OF YEAR	--	794,240	72,703	866,943
FUND BALANCES, END OF YEAR	\$ --	\$ 743,391	\$ 36,646	\$ 780,037

The accompanying notes are an integral part of these financial statements.

Santa Rosa County, Florida Sheriff
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
September 30, 2010

ASSETS

Cash	\$ 168,169
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LIABILITIES

Accounts payable	42,772
Due to other governmental units	10,834
Deposits	114,563
Total liabilities	<u>168,169</u>

NET ASSETS

Net assets	<u>\$ --</u>
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Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the financial statements follows:

1. Reporting Entity

The Office of the Sheriff of Santa Rosa County, Florida (the "Sheriff"), as established by Article VIII of the Constitution of the State of Florida, is an elected official of Santa Rosa County, Florida (the "County"). Although the Sheriff is operationally autonomous from the Santa Rosa County Board of County Commissioners (the "Board"), the Sheriff does not hold sufficient corporate powers to be considered a legally separate entity for financial reporting purposes. Therefore, the Sheriff is considered part of the County's primary government.

These *special-purpose financial statements* are not intended to be a complete presentation of the financial position and results of operations of the County taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida, the special-purpose financial statements consist of only the *fund level* financial statements as defined in Governmental Accounting Standards Board ("GASB") Statement No. 34, and do not include presentations of *government-wide* financial statements of the Sheriff.

2. Fund Accounting

The accounting system of the Sheriff is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The funds utilized by the Sheriff's office are as follows:

Governmental Funds

These funds utilize a modified accrual basis of accounting. The measurement focus is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination). The Sheriff reports the following major governmental funds:

General Fund is used to account for all financial resources which are generated from operations of the office, appropriations from the Board or any other resources not required to be accounted for in another fund.

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

2. Fund Accounting -- (Continued)

Jail Commissary Fund accounts for jail commissary and vending machine revenues that are used to provide recreational facilities and equipment for the prisoners.

Non-major governmental funds of the Sheriff are as follows:

- 1) **Grants Fund** accounts for grant revenues and expenditures according to the terms of each grant.
- 2) **Second Dollar** accounts for shared fine revenues from the Board which are used for law enforcement training purposes.
- 3) **Federal Seizure** accounts for shared seizure revenues from the United States Department of Justice which are to be used for law enforcement purposes.

Fiduciary Funds

The Sheriff uses agency funds to account for assets held in a custodial capacity for others. Assets equal liabilities in agency funds, and results of operations are not measured.

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available as net current assets. The Sheriff considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recognized when the related fund liability is incurred. Agency funds use the accrual basis of accounting.

4. Cash and Cash Equivalents

For financial statement reporting, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

5. Inventory

Inventory consists primarily of general office supplies, patrol supplies, and fuel and is valued at cost (first in, first out). The Sheriff uses the consumption method of accounting in which inventory acquisitions are recorded in inventory initially and charged as expenditures when used.

6. Accounting for Capital Assets

Capital assets (vehicles, equipment, and other tangible and certain intangible property costing at least \$1,000 with a useful life of more than one year) are recorded as expenditures by the acquiring fund at the time of purchase. The Sheriff does not engage in the acquisition of public domain (infrastructure) assets.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Depreciation of vehicles and equipment is calculated using the straight-line method over estimated useful lives of 3-10 years.

Capital assets and related depreciation expense are reported as a component of the County government-wide financial statements and are not reflected in the governmental fund financial statements. Title to buildings and improvements vests with the Board which records the capitalization of these assets and any related depreciation, in the County's government-wide financial statements.

7. Budgets and Budgetary Accounting

The Sheriff operates under budget procedures pursuant to Chapters 30 and 129, Florida Statutes. The Sheriff's general fund budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. The Sheriff is not legally required to prepare a budget for the other governmental funds; therefore, comparative budget and actual results are not presented for these funds. The legal level of budgetary control is the fund level.

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- (Continued)

8. Compensated Absences

Employees accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the County government-wide financial statements. For the governmental fund statements, expenditures are recognized when payments are made to employees.

9. Excess Revenue

In accordance with Section 218.36, Florida Statutes, excess appropriations are returned to the Board at fiscal year-end and are reported in the "due to other governmental units" liability account. Charges for services, interest income, and other miscellaneous revenues collected by the Sheriff are considered to be "agency" transactions, not available for expenditure by the Sheriff, and are remitted to the Board on a monthly basis.

10. Events Occuring After Reporting Date

The Sheriff has evaluated events and transactions that occurred between September 30, 2010 and February 23, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE B - CASH

The Sheriff's deposits at year-end were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. At September 30, 2010 the reported amount of the Sheriff's deposits was \$2,925,925 and the bank balance was \$3,098,482, consisting entirely of deposits with financial institutions in checking accounts.

**Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010**

NOTE C - CAPITAL ASSETS

Disclosures required by Chapter 10.557(3)(h) Rules of the Auditor General State of Florida related to capital assets are as follows:

	<u>Balance 10/01/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/10</u>
Vehicles, equipment, software and furniture	\$ 11,147,591	\$ 220,033	\$ (245,446)	\$ 11,122,178
Less: accumulated depreciation	<u>(8,242,978)</u>	<u>(1,121,090)</u>	<u>235,209</u>	<u>(9,128,859)</u>
Net Total	<u>\$ 2,904,613</u>	<u>\$ (901,057)</u>	<u>\$ (10,237)</u>	<u>\$ 1,993,319</u>

Depreciation expense for the year ended September 30, 2010, was \$1,121,090.

Effective October 1, 2009, the Sheriff adopted GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which requires the reporting of intangible assets utilized by governments. Accordingly, the beginning balances of the Sheriff's capital assets have been restated to reflect the implementation of GASB Statement No. 51.

NOTE D - LONG-TERM DEBT OBLIGATIONS

Disclosures required by Chapter 10.557(3)(h) Rules of the Auditor General State of Florida related to long-term debt are as follows:

Compensated Absences	
Balance - October 1, 2009	\$ 3,744,274
Increases	1,507,605
Decreases	<u>(1,516,327)</u>
Balance - September 30, 2010	<u>\$ 3,735,552</u>

Compensated absences are paid from the general fund.

**Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010**

NOTE E - INTERFUND BALANCES

At September 30, 2010, interfund balances consisted of the following:

Fund	Receivable	Payable
General Fund	\$ 347,530	\$ 938
Jail Commissary	938	43,782
Non-major governmental	--	303,748
	\$ 348,468	\$ 348,468

Of the total due to the General Fund, \$300,878 consists of advances to the Grant Fund which will be paid back to the General Fund after reimbursement is received from grantors and \$43,782 consists of expenditures made for the Jail Commissary Fund which are typically reimbursed to the General Fund on a monthly basis. The balance of \$2,870 consists of expenditures incurred in the General Fund that will be reimbursed by the Second Dollar Fund.

NOTE F - PENSION AND RETIREMENT PLAN

Substantially all full-time employees of the Sheriff are covered by the Florida Retirement System (FRS). The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

The FRS offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans.

The FRS Pension Plan is a multiple employer cost sharing defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Normal retirement benefits are available to employees who retire at age 62 with 6 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE F - PENSION AND RETIREMENT PLAN -- (Continued)

after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

The FRS Investment Plan is a defined contribution plan in which participants are vested after one year of service. The employer makes contributions each month based on a percentage of the employee's gross salary and membership class. The contribution percentage is the same whether participating in the Pension Plan or Investment Plan. Members in the Investment Plan decide how their funds are allocated between various investment accounts and the funds are portable upon termination if the participant is vested. Members in the investment plan are not eligible for participation in the Deferred Retirement Option Program (DROP).

DROP is an elective program available for members of the FRS who are eligible for normal retirement. Under this program, a member effectively retires but continues covered employment for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving their predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

The plans are noncontributory for employees and all contributions are made by participating FRS employers. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2010 were as follows: regular employees, 10.08%; special risk employees, 21.50%; elected officials, 17.06%; senior management employees, 13.48%; and DROP participants, 11.25%. The Sheriff's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution for each year. Contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on the members' class. Contributions to both plans totaled \$2,957,052, \$2,959,109 and \$2,942,036, for the years ended September 30, 2010, 2009, and 2008, respectively.

**Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010**

NOTE G - OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The Sheriff participates in the health insurance plan offered to employees of the Board and other County Elected Officials (the Board plan). Additionally, retirees and eligible dependants have the option of continuing in the Board plan at the same group rate as for active employees.

The Board engaged an actuarial firm to determine the estimated obligation associated with the post employment health insurance benefits as of September 30, 2010 for all participants of the Board plan. Costs attributed to the Sheriff have been allocated based on the Sheriff's payroll compared to total payroll of all participants in the Board plan. The Sheriff's Annual OPEB Cost for fiscal year 2010 was \$666,225, and employer contributions included in Personal Services expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance were \$146,785. The net OPEB obligation of the Sheriff was \$892,991 and the Unfunded Actuarial Accrued Liability, which is being amortized over a thirty year period as part of the Annual Required Contribution, was \$4,906,543. Because these financial statements focus on current financial resources, they do not include the net OPEB obligation or any other long-term liability. A full presentation of OPEB liabilities, funding status, and actuarial methods and assumptions is included in the 2010 Board's Annual Financial Report.

Following are the components of the Sheriff's net OPEB obligation at September 30, 2010:

Normal Cost	\$ 387,340
Amortization of Unfunded Actuarial Accrued Liability	<u>288,744</u>
Annual Required Contribution (ARC)	676,084
Interest on Net OPEB Obligation	20,776
Adjustment to ARC	<u>(30,635)</u>
Annual OPEB Cost	666,225
Estimated Employer Contributions Made	<u>(146,785)</u>
Increase in net OPEB Obligation	519,440
Net OPEB Obligation, October 1, 2009	<u>373,551</u>
Net OPEB Obligation, September 30, 2010	<u><u>\$ 892,991</u></u>

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE H - OPERATING LEASES

The Sheriff leases office equipment under non-cancelable operating leases which extend through September 2013. Future minimum lease payments are approximately \$16,000 per year. Rental expense for the year ended September 30, 2010 was \$86,427.

NOTE I - GRANT ASSISTANCE

The Sheriff serves as implementing agency for various grants which are reported in the Single Audit Report prepared by the Board.

NOTE J - RISK MANAGEMENT

The Sheriff is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board of County Commissioners has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the County is self-insured with respect to the following exposures:

- Workers Compensation
- Auto Physical Damage
- Auto Liability
- Construction and Road Equipment
- Portable Communication Equipment

The County is covered by outside insurance for the following exposures:

- Boats
- Employee Fidelity
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible
- Building Contents, \$5,000 deductible

Conventional insurance remains in effect for buildings, contents, Sheriff's general and professional liability, Sheriff's automobiles, and Sheriff's medical malpractice for treatment of prisoners. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Santa Rosa County, Florida Sheriff
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

NOTE K – SIGNIFICANT COMMITMENTS

The Sheriff has agreements with a vendor to provide (a) commissary services and property room management and (b) facilities, food and laundry services at the Santa Rosa County Jail through September 30, 2011. Upon mutual agreement, the agreements may be renewed for additional one-year periods. Also, the agreements can be cancelled by either party with 60 days written notice. The Sheriff pays \$2,799 per week or \$145,548 per year for commissary services and pays at rates ranging from \$1.16 to \$1.33 per meal based on prison population. Expenditures under the contracts for the year ended September 30, 2010 were \$800,750.

The Sheriff has a three year agreement with a vendor to provide medical care to individuals under the custody and control of the Sheriff. The initial term of the agreement is February 1, 2010 to January 31, 2013. The agreement is optionally renewable for two additional one-year periods and may be cancelled without cause by either party with 120 days written notice. Under the terms of the agreement the Sheriff provides the vendor with office space, furniture and equipment and pays an annual fee in equal monthly installments. In the first year of the agreement the Sheriff will pay a base price of \$1,325,000 and an additional \$.62 per day for each inmate in excess of a monthly average of 450, based upon daily inmate counts. In years two and three the base price increases to \$1,365,000 and \$1,405,000 and the additional per day rate increases to \$.64 and \$.67. Expenditures for the year ended September 30, 2010 were \$887,245.

REQUIRED SUPPLEMENTARY INFORMATION

Santa Rosa County, Florida Sheriff
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
For the year ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Miscellaneous	\$ --	\$ --	\$ 3,485	\$ 3,485
EXPENDITURES				
Current				
General government				
Judicial				
Personal services	637,889	894,889	890,463	4,426
Operating	31,991	26,091	26,710	(619)
Public safety				
Law enforcement				
Personal services	14,823,986	15,196,986	15,167,307	29,679
Operating	3,378,860	2,989,760	2,928,339	61,421
Capital outlay	--	473,269	--	473,269
Correction and detention				
Personal services	7,322,639	6,823,693	6,827,380	(3,687)
Operating	3,215,125	3,005,802	2,989,689	16,113
Total expenditures	<u>29,410,490</u>	<u>29,410,490</u>	<u>28,829,888</u>	<u>580,602</u>
Excess (deficiency) of revenues over expenditures	(29,410,490)	(29,410,490)	(28,826,403)	584,087
OTHER FINANCING SOURCES (USES)				
Board of County Commissioners appropriation	29,410,490	29,410,490	29,410,490	--
Board of County Commissioners excess fees	--	--	(584,087)	(584,087)
Total other financing sources (uses)	<u>29,410,490</u>	<u>29,410,490</u>	<u>28,826,403</u>	<u>(584,087)</u>
Net change in fund balance	--	--	--	--
FUND BALANCE, BEGINNING OF YEAR	--	--	--	--
FUND BALANCE, END OF YEAR	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

SUPPLEMENTARY INFORMATION - COMBINING FUND FINANCIAL STATEMENTS

Santa Rosa County, Florida Sheriff
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2010

	Grants Fund	Second Dollar Fund	Federal Seizure Fund	Totals
ASSETS				
Cash	\$ 189,399	\$ 40,442	\$ 46,907	\$ 276,748
Due from other governmental units	147,763	--	--	147,763
Total assets	<u>\$ 337,162</u>	<u>\$ 40,442</u>	<u>\$ 46,907</u>	<u>\$ 424,511</u>
LIABILITIES				
Accounts payable	\$ 2,001	\$ 926	\$ --	\$ 2,927
Due to other funds	300,878	2,870	--	303,748
Unearned revenue	34,283	--	46,907	81,190
Total liabilities	<u>337,162</u>	<u>3,796</u>	<u>46,907</u>	<u>387,865</u>
FUND BALANCE				
Fund balance				
Reserved for law enforcement training	--	36,646	--	36,646
Total liabilities and fund balance	<u>\$ 337,162</u>	<u>\$ 40,442</u>	<u>\$ 46,907</u>	<u>\$ 424,511</u>

Santa Rosa County, Florida Sheriff
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - ALL NON-MAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2010

	Grants Fund	Second Dollar Fund	Federal Seizure Fund	Totals
REVENUES				
Intergovernmental	\$ 860,435	\$ 27,171	\$ 30,233	\$ 917,839
Miscellaneous	--	133	--	133
Total revenues	<u>860,435</u>	<u>27,304</u>	<u>30,233</u>	<u>917,972</u>
EXPENDITURES				
Current				
Public safety				
Law enforcement				
Personal services	686,857	--	--	686,857
Operating	28,011	63,361	10,017	101,389
Capital outlay	145,567	--	20,216	165,783
Total expenditures	<u>860,435</u>	<u>63,361</u>	<u>30,233</u>	<u>954,029</u>
Net change in fund balances	--	(36,057)	--	(36,057)
FUND BALANCES, BEGINNING OF YEAR	<u>--</u>	<u>72,703</u>	<u>--</u>	<u>72,703</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 36,646</u>	<u>\$ -</u>	<u>\$ 36,646</u>

Santa Rosa County, Florida Sheriff
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS -
ALL AGENCY FUNDS
September 30, 2010

	Individual Depositors Fund	Suspense Fund	Seizure Fund	Flower Fund	Totals
ASSETS					
Cash	\$ 10,520	\$ 42,794	\$ 101,836	\$ 13,019	\$ 168,169
LIABILITIES					
Accounts payable	--	42,772	--	--	42,772
Due to other governments	10,520	22	292	--	10,834
Deposits	--	--	101,544	13,019	114,563
Total liabilities	<u>10,520</u>	<u>42,794</u>	<u>101,836</u>	<u>13,019</u>	<u>168,169</u>
NET ASSETS					
Net assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

INDEPENDENT AUDITOR'S 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 Wendell Hall
Sheriff
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as "Sheriff"), as of and for the year ended September 30, 2010, and have issued our report thereon dated February 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

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

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

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated February 23, 2011, which should be considered in assessing the results of our audit.

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

O'Sullivan Greel, LLP

February 23, 2011

MANAGEMENT LETTER

Honorable Wendell Hall
Sheriff
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as “Sheriff”) as of and for the year ended September 30, 2010, and have issued our report thereon dated February 23, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also issued our 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. Disclosures in that report, which is dated February 23, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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. Corrective action has been taken to address the recommendation made in the preceding audit report.

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

Section 10.554 (1) (i) 3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we are submitting for consideration the recommendation described in Attachment A.

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

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

The Sheriff's response to the recommendations described in Attachment A is included in the accompanying management's response to the management letter. We did not audit the Sheriff's response and accordingly, we express no opinion on it.

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

O'Sullivan Greel, LLP

February 23, 2011

Santa Rosa County, Florida Sheriff
CURRENT YEAR RECOMMENDATIONS (Attachment A)
For the year ended September 30, 2010

2010-1 Evidence Funds

The current control structure requires that 2 deputies witness, count and sign the evidence envelope when cash is turned in as evidence, subsequent to an arrest or seizure. During the examination of controls, it was discovered that the common practice is for the deputy checking the funds into evidence to print his name and that of the deputy witnessing the transaction onto the envelope. Although this gives a clear trail as to the individuals involved in the transaction, it does not ensure that the witness has counted the funds and is certifying that the money is in fact inside the envelope. To ensure that all evidence is properly accounted for it is suggested that both deputy's names are printed on the evidence envelopes and that both deputies sign the envelope as well.

Santa Rosa County, Florida Sheriff
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2010

2010-1 Evidence Funds

Management will remind the supervisors of the written policy regarding the requirement for the submitting and receiving deputies to initial the evidence envelope.