

Financial Statements

Gadsden County, Florida

September 30, 2006

With Report of Independent Auditors



Law, Redd, Crona & Munroe, P.A.

Gadsden County, Florida

September 30, 2006

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GADSDEN COUNTY BOARD OF COUNTY COMMISSIONERS

Eugene Lamb
District 1

Sterling Watson
District 2

Derrick Price
District 3

Brenda Holt
District 4

Edward Dixon
District 5

* * * * *

CONSTITUTIONAL OFFICERS

Clerk of the Circuit Court
Nicholas Thomas

Sheriff
Morris A. Young

Tax Collector
W. Dale Summerford

Property Appraiser
Clay VanLandingham

Supervisor of Elections
Shirley G. Knight



Law, Redd, Crona & Munroe, P.A.
Certified Public Accountants

Report of Independent Auditors

March 23, 2007

The Honorable Board of County Commissioners
and Constitutional Officers
Gadsden County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gadsden County, Florida as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gadsden County, Florida'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 Gadsden County, Florida'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gadsden County, Florida as of September 30, 2006, and the respective changes in financial position and the respective budgetary comparison for each major fund 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, March 23, 2007, on our consideration of Gadsden County, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 management's discussion and analysis on pages 3 through 10, are not a required part of the basic financial statements, but are supplementary information required by the 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Gadsden County, Florida's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by the U.S. Office of Management and Budget, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and the combining nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Law, Redd, Crona & Munroe, P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of Gadsden County's (the "County") financial activities for the fiscal year ended September 30, 2006. The Analysis provides summary financial information for the County and should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the County exceeded its liabilities at September 30, 2006 (fiscal year end) by \$51,463,363 (net assets) for governmental activities, representing an increase of \$7,096,735.

The amount reported as unrestricted net assets, \$8,130,824, increased \$3,578,100 over the previous year. This amount is a measure of the County's resources to meet the County's ongoing obligations to its citizens and creditors.

At September 30, 2006, the County's governmental funds reported combined ending fund balances of \$13.5 million, an increase of \$928,169, in comparison with the \$12.6 million balance as of September 30, 2005.

During the year ended September 30, 2006, the County withdrew \$1.6 million from the Private Purpose Trust Fund (Hospital Endowment).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. A brief description of the different financial statements follows.

Government-Wide Statements (The Statement of Net Assets and The Statement of Activities)

The government-wide financial statements consist of two statements, The Statement of Net Assets and The Statement of Activities. The Statement of Net Assets presents information on all the County's assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies, with the difference between the two reported as net assets. Net assets, the difference between assets and liabilities, are one way to measure the County's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

The Statement of Activities presents information on all revenues and expenses of the County and shows *how* the County's net assets changed during the year. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all the functions provided by the County. In the Statement of Activities governments report their operations as either governmental activities and/or business-type activities. All of Gadsden County's basic services are considered to be governmental activities. These include general government, public safety, physical environment, transportation, economic environment, human services and culture and recreation. Property taxes, sales taxes, gas taxes and franchise fees finance most of these activities.

Fund Financial Statements

Fund financial statements provide detailed information about the most significant *funds* – not the County as a whole. A *fund* is a set of self-balancing accounts that are segregated for the purpose of carrying on specific activities or attaining certain objectives, as required by special regulations, restrictions or limitations. The fund financial statements include a Balance Sheet, and a Statement of Revenues, Expenditures and Changes in Fund Balances for each major fund and aggregate non-major funds. Gadsden County has two kinds of funds, *governmental* and *fiduciary*, each use different accounting approaches as explained below.

Governmental funds – Governmental fund presentation is presented on a sources and uses of liquid resources basis. Funds are established for various purposes and fund financial statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Notes to the Financial Statements

The notes include various disclosures to ensure a complete picture is presented in the financial statements. They provide information useful in understanding the data presented in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a condensed summary of net assets for the primary government for fiscal years 2006 and 2005.

Gadsden County, Florida Summary of Net Assets September 30, 2006 and 2005

	Governmental Activities	
	2006	2005
Current and Other Assets	\$ 18,274,503	\$ 13,293,004
Capital Assets	51,450,289	46,629,456
Total Assets	69,724,792	59,922,460
Current Liabilities	7,078,834	4,621,991
Non-Current Liabilities	11,182,595	10,933,841
Total Liabilities	18,261,429	15,555,832
Net Assets Invested in		
Capital Assets,		
Net of Related Debt	39,872,932	35,667,128
Restricted	3,459,607	4,146,776
Unrestricted	8,130,824	4,552,724
Total Net Assets	\$ 51,463,363	\$ 44,366,628

The largest portion of the County's net assets (77%) reflects its investment in capital assets, less any related debt to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net assets* representing 7% of the County's net assets are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net assets* (\$8.1 million or 16%) may be used to help meet the government's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net assets.

**Gadsden County, Florida
Changes in Net Assets**

	Governmental Activities	
	2006	2005
Revenues:		
Program Revenues:		
Charges for Services	\$ 5,988,369	\$ 4,795,916
Operating Grants and Contributions	4,066,349	3,314,139
Capital Grants and Contributions	2,980,421	1,359,569
Total Program Revenues	13,035,139	9,469,624
General Revenues:		
Property Taxes	10,223,877	9,406,707
Sales Tax and State Shared Revenue	5,734,069	4,376,040
Local Option Taxes	2,900,824	2,732,958
Motor Fuel Tax	3,104,269	2,901,945
Other	3,715,490	1,244,908
Total General Revenues	25,678,529	20,662,558
Total Revenues	38,713,668	30,132,182
Expenses:		
Program Expenses:		
General Government	9,970,507	7,382,821
Public Safety	10,488,323	9,670,670
Physical Environment	1,336,901	1,158,038
Transportation	5,205,653	5,184,163
Economic Environment	933,633	738,311
Human Services	1,845,898	1,730,703
Culture/Recreation	1,391,286	808,098
Interest on Long-term Debt	444,732	412,598
Total Expenses	31,616,933	27,085,402
Increase in Net Assets	7,096,735	3,046,780
Net Assets October 1, 2005	44,366,628	41,319,848
Net Assets September 30, 2006	\$ 51,463,363	\$ 44,366,628

Under Program Revenue, Charges for Services were \$5.9 million and represented 15% of governmental activities revenue. Departments that experienced an increase in revenue include building permits up 15.85%, emergency rescue up 49.82%, Pat Thomas Park up 28%, public works department up 89%. Overall there was an increase in Charges for Services of \$1,192,453 or 24.86%. The increase in ambulance services accounted for \$650,000 of the \$1,192,453 increase.

Gadsden County relies heavily on grants and aid from outside sources to contribute to its revenue stream. Program revenue from Operating and Capital Grants and Contributions consisted of 18% of overall revenue, an increase of 50.77% from the previous year. This increase is due primarily to road paving capital grants.

The major increases in expenses for the County were in General Government up 35% and Culture/Recreation up 72%. Most of the increases in Culture/Recreation were offset with capital grant proceeds.

FUND FINANCIAL ANALYSIS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. Unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the close of a fiscal year.

As of the end of fiscal year 2006, the County's governmental funds reported combined ending fund balances of \$13.5 million, an increase of \$928,169 in comparison with the prior year. Of the approximately \$13.5 million total fund balance, unreserved fund balance is \$8.2 million and is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. The general fund had an increase in fund balance of \$940,412. The total fund balance was \$3,188,231 of which \$3,098,002 was unreserved. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. Unreserved fund balance represents 21% of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget was moderately amended during the course of fiscal year 2006. The difference between the original budgeted revenues and the final amended budgeted revenues was equal to \$382,968 or less than 3% of the originally adopted general fund budget. These minor amendments were executed to cover expenditures related to the County Recycling program, Emergency Medical Services, Solid Waste Services, County Probation, the regional transportation planning agency, and other minor general fund related expenses. The resources provided for these amendments were made available from revenues collected in excess of figures anticipated in the original budget.

Actual general fund revenues exceeded the original revenue budget by approximately \$2,004,124 or 15%. Excess general fund revenue received in comparison to the final amended budget was equal to approximately \$1,621,156 or 11.8% of the final amended budget. Contributors to the excess revenue received include collections from the State ½ cent sales tax proceeds, Solid Waste Franchise Fees, Communication Service Tax proceeds, Local Emergency Government Sales Tax proceeds, as well as unanticipated revenue in the form of returned excess fees from the Tax Collector, and the Property Appraiser, and newly adopted state shared revenue funding for fiscally constrained counties.

Actual overall expenditures were approximately \$97,350 or 1.7% less than the final amended budget. This was a result of the County's continued effort to streamline operations and to become a more efficient and effective organization.

CAPITAL ASSETS AND DEBT MANAGEMENT

Capital assets

The County's investment in capital assets for its governmental activities as of September 30, 2006 amounts to \$49.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure, net of depreciation.

Major capital asset events during the current fiscal year included the following:

Land was purchased for the new library in Chattahoochee for \$60,033. Land was donated for the Robertsville Fire Station.

The new library in Quincy was completed and construction in progress included the new library in Chattahoochee and the new Robertsville fire station.

Almost seven million was spent on road paving.

Additions to machinery and equipment includes, 30 new vehicles for the Sheriff's department, two new motor graders, an excavator and wheel loader for the public works department.

Additional information regarding the County's capital assets is contained in the Notes to the Financial Statements.

Gadsden County, Florida Capital Assets (Net of Depreciation)

	Governmental Activities	
	2006	2005
Land	\$ 1,525,167	\$ 1,458,634
Buildings	13,987,630	12,488,273
Improvements Other than Buildings	1,085,575	833,395
Machinery and Equipment	8,762,220	8,357,637
Construction in Progress	502,914	1,448,768
Infrastructure	23,500,929	18,110,077
Total	\$49,364,435	\$42,696,784

Debt Management

The most significant component of the County's debt is the Florida Municipal Loan Council Revenue Bonds Series 2003B, at \$8.4 million. Future county fuel tax revenues and constitutional fuel tax revenues secure these bonds. This debt was issued to expedite the paving of dirt roads. Overall, long-term debt increased \$721,272 from 2005 to 2006.

Additional information regarding the County's Long-Term Debt is contained in the Notes to the Financial Statements.

**Gadsden County Florida
Outstanding Debt**

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Revenue Bonds	\$ 7,900,000	\$ 8,390,000	\$ (490,000)
Pooled Commercial Paper	1,861,163	1,140,443	720,720
Notes and Loans Payable	1,366,260	945,097	421,163
Compensated Absences	1,026,469	930,342	96,127
Landfill Post-closure Costs	547,874	574,612	(26,738)
Total	<u>\$12,701,766</u>	<u>\$11,980,494</u>	<u>\$ 721,272</u>

ECONOMIC FACTORS AND FUTURE FINANCIAL CONDITION

Gadsden County is designated as a fiscally constrained County in the State of Florida and is included in the Governor's designated Northwest Florida Rural Area of Economic Concern. The County's millage rate in fiscal year 2006 was set at the statutory maximum level of 10.00 mills. Beyond property tax revenue, which generated approximately \$10.2 million in fiscal year 2006, the County's other major revenues mostly include proceeds from state sponsored programs and gas taxes, as well as the local option "Small County" sales tax.

Gadsden County is approximately 516 square miles. The current population of Gadsden County is estimated at approximately 48,000 residents. This figure represents an increase of 3,000 over the 2000 Census estimates of approximately 45,000. Additionally, current estimates illustrate that approximately 65% of these residents live in the county and 35% live within the city limits of Chattahoochee, Gretna, Greensboro, Havana, Midway and Quincy. The most current labor statistics project that the County's labor force (persons employed over the age of 16) is equal to approximately 18,500 residents, this up from the 1990 estimate of 16,200. As of May 2007 unemployment rates were equal to 3.3% in Gadsden County. This is in comparison to 3.2% for the State of Florida and approximately 4.3% for the United States.

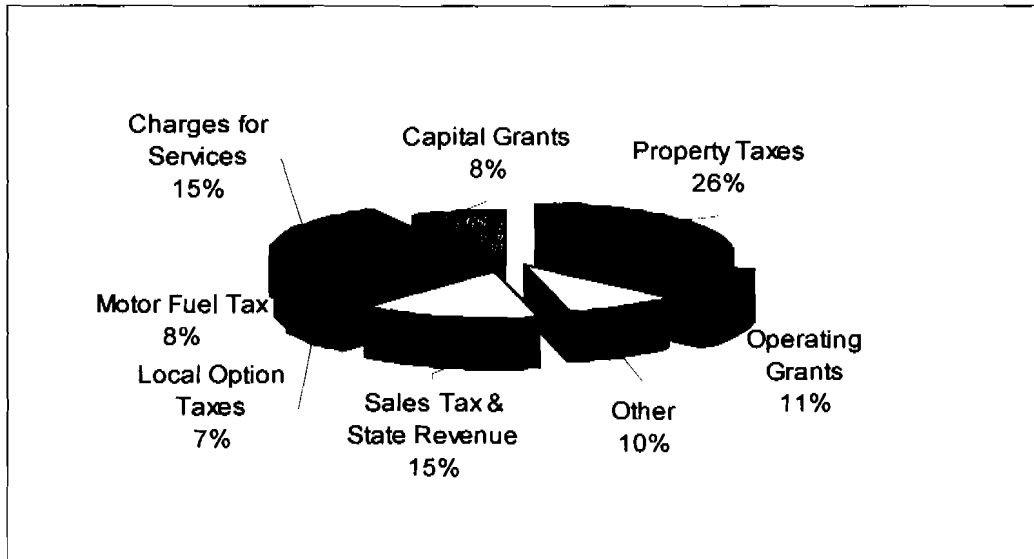
As Gadsden County looks towards the future it is clear that preparations must be made for certain unanticipated levels of growth. The eastern portion of Gadsden County, specifically within the City of Midway and other surrounding areas, is experiencing rapid growth and development. The County has taken steps to lead its residents and residents of the six municipalities in making the necessary preparations to handle this growth. The County has focused on developing plans and strategies to secure resources to provide the necessary infrastructure to properly accommodate future development. Additionally, the Board of County Commissioners has made a commitment to stabilize its financial health by building sufficient reserves and fund balances in its major governmental funds, strategically managing debt, and developing a long term capital improvement program to maintain current and future investments in its fixed assets. Furthermore, the County will also look towards diversifying its revenue structure as to decrease its dependency on both property taxes and state sponsored revenue proceeds.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives and manages. If you have questions about this report or need additional financial information, contact the Gadsden County Finance Office, 10 E. Jefferson Street, Quincy, FL 32351.

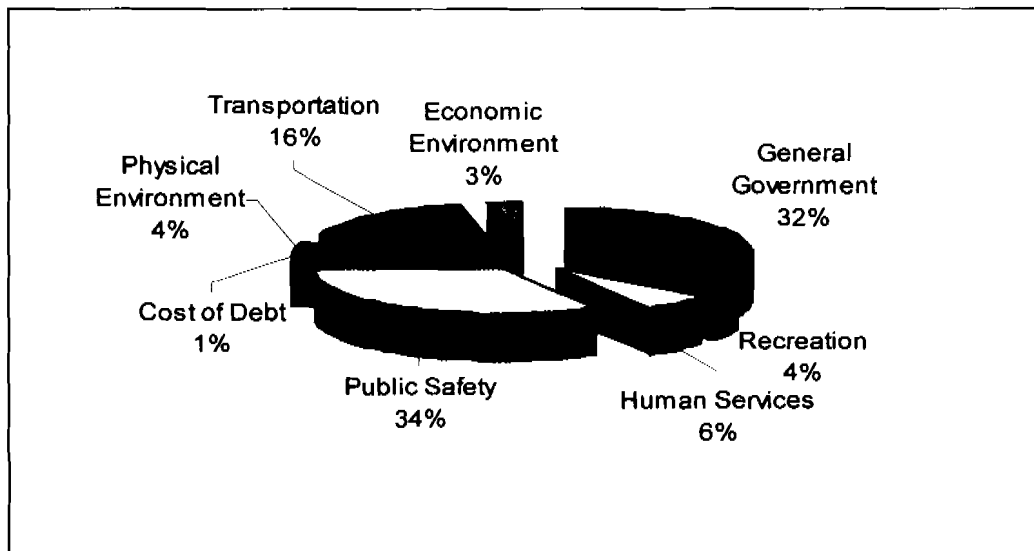
Revenues – Governmental Activities

Fiscal Year Ended September 30, 2006



Expenses – Governmental Activities

Fiscal Year Ended September 30, 2006



Financial Statements

Gadsden County, Florida
Statement of Net Assets
September 30, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Current Assets	
Cash	\$ 4,692,218
Investments	5,496,310
Receivables (Net):	
Accounts	2,348,016
Other	1,854,683
Due from Other Governments	3,750,041
Prepaid Items	20,467
Inventories	112,768
Total Current Assets	<u>18,274,503</u>
Noncurrent Assets	
Restricted Cash and Cash Equivalents	1,964,601
Capital Assets	
Non-Depreciable	2,028,081
Depreciable, Net	47,336,355
Unamortized Loan Issuance Costs	121,252
Total Noncurrent Assets	<u>51,450,289</u>
Total Assets	<u><u>\$ 69,724,792</u></u>
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 4,145,752
Due to Agency Funds	10,101
Due to Other Governments	155,664
Deferred Revenue	919,465
Unamortized Premium	26,923
Installment Notes Payable	1,341,198
Accrued Compensated Absences	479,731
Total Current Liabilities	<u>7,078,834</u>
Noncurrent Liabilities	
Unamortized Premium	301,758
Accrued Compensated Absences	546,737
Installment Notes Payable	9,786,226
Estimated Landfill Postclosure Costs	547,874
Total Noncurrent Liabilities	<u>11,182,595</u>
Total Liabilities	<u>18,261,429</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	39,872,932
Restricted for:	
Transportation	2,376,922
Grants and Other Purposes	1,082,685
Unrestricted	8,130,824
Total Net Assets	<u>51,463,363</u>
Total Liabilities and Net Assets	<u><u>\$ 69,724,792</u></u>

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

**Gadsden County, Florida
Statement of Activities
Year Ended September 30, 2006**

					Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General Government	\$ 9,970,507	\$ 3,447,039	\$ 324,576	\$ 0	\$ (6,198,892)
Public Safety	10,488,323	2,024,986	1,649,677	17,960	(6,795,700)
Physical Environment	1,336,901	261,088	365,305	0	(710,508)
Transportation	5,205,653	205,181	40,963	2,687,429	(2,272,080)
Economic Environment	933,633	0	476,933	266,877	(189,823)
Human Services	1,845,898	6,659	214,786	0	(1,624,453)
Culture and Recreation	1,391,286	43,416	994,109	8,155	(345,606)
Interest on Long-Term Debt	444,732	0	0	0	(444,732)
Total Primary Government	\$31,616,933	\$ 5,988,369	\$ 4,066,349	\$ 2,980,421	(18,581,794)

General Revenues

Taxes:

Property Taxes	10,223,877
Franchise and Utility Taxes	281,868
Discretionary Sales Surtax	1,015,195
Local Option Gas Tax	1,885,629
Motor Fuel Tax	3,104,269
Other Taxes	45,197
Sales Tax and Other Shared Revenues	5,734,069
Investment Earnings	603,571
Miscellaneous	483,050
Proceeds from Sale of Assets	614,298
Transfers, Net	1,687,506
Total General Revenues and Transfers	25,678,529
Change in Net Assets	7,096,735
Net Assets, Beginning of Year	44,366,628
Net Assets, End of Year	\$ 51,463,363

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

Gadsden County, Florida

Balance Sheet Governmental Funds

September 30, 2006

	General Fund	County Transportation Fund No. 1	General Grants Fund	Emergency Medical Services
Assets				
Cash	\$ 54,335	\$ 8,011	\$ 57,332	\$ 62,208
Investments	3,291,682	1,588,948	45,328	0
Receivables (Net of Allowance for Uncollectibles)				
Accounts	77,249	124,881	131,220	953,243
Other	55,433	0	0	0
Due from Other Funds	122,457	1,496,083	0	0
Due from Other Governments	469,176	748,437	1,789,893	45,426
Prepaid Expenses	16,582	0	0	0
Inventories, at Cost	73,647	39,121	0	0
Cash - Loan Proceeds	0	0	0	0
Total Assets	\$ 4,160,561	\$ 4,005,481	\$ 2,023,773	\$ 1,060,877
Liabilities				
Accounts Payable and Accrued Expenses	\$ 809,282	\$ 125,680	\$ 1,079,176	\$ 68,568
Due to Other Funds	160,493	0	290,004	0
Due to Other Governments	2,555	0	32,882	0
Deferred Revenue	0	297,305	276,176	713,755
Total Liabilities	972,330	422,985	1,678,238	782,323
Fund Balances				
Reserved for:				
Anti-Drug Programs	0	0	21,265	0
Transportation	0	3,543,375	0	0
Recycling Program	0	0	36,578	0
E911 System	0	0	129,183	0
Landfill Closure	0	0	43,255	0
Prepaid Items	16,582	0	0	0
Inventories	73,647	39,121	0	0
Records Modernization	0	0	0	0
Other	0	0	0	0
Unreserved, reported in:				
General Fund	3,098,002	0	0	0
Special Revenue Funds	0	0	115,254	278,554
Total Fund Balances	3,188,231	3,582,496	345,535	278,554
Total Liabilities and Fund Balances	\$ 4,160,561	\$ 4,005,481	\$ 2,023,773	\$ 1,060,877

State Housing Initiative Partnership	Capital Projects Road Resurfacing	Sheriff	Other Governmental Funds	Total Governmental Funds
\$ 638,677	\$ 75,402	\$ 152,754	\$ 3,643,499	\$ 4,692,218
0	0	0	570,352	5,496,310
0	1,000,000	39,381	22,042	2,348,016
0	0	0	1,799,250	1,854,683
0	0	232,376	474,344	2,325,260
0	0	8,550	688,559	3,750,041
0	0	3,885	0	20,467
0	0	0	0	112,768
0	1,964,601	0	0	1,964,601
<u>\$ 638,677</u>	<u>\$ 3,040,003</u>	<u>\$ 436,946</u>	<u>\$ 7,198,046</u>	<u>\$ 22,564,364</u>
\$ 37,105	\$ 930,185	\$ 262,407	\$ 833,349	\$ 4,145,752
0	1,365,095	173,204	346,565	2,335,361
0	0	1,335	118,892	155,664
569,269	0	0	499,600	2,356,105
<u>606,374</u>	<u>2,295,280</u>	<u>436,946</u>	<u>1,798,406</u>	<u>8,992,882</u>
0	0	0	0	21,265
0	744,723	0	0	4,288,098
0	0	0	0	36,578
0	0	0	369,331	498,514
0	0	0	0	43,255
0	0	0	0	16,582
0	0	0	0	112,768
0	0	0	209,216	209,216
0	0	0	144,507	144,507
0	0	0	0	3,098,002
32,303	0	0	4,676,586	5,102,697
<u>32,303</u>	<u>744,723</u>	<u>0</u>	<u>5,399,640</u>	<u>13,571,482</u>
<u>\$ 638,677</u>	<u>\$ 3,040,003</u>	<u>\$ 436,946</u>	<u>\$ 7,198,046</u>	<u>\$ 22,564,364</u>

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



Gadsden County, Florida

**Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Assets**

September 30, 2006

Total Fund Balances - Governmental Funds **\$ 13,571,482**

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets, net of accumulated depreciation, used in governmental activities
are not financial resources and, therefore, are not reported as assets in the
governmental funds. 49,364,436

Receivables that do not provide current financial resources are reported as
deferred revenue in the governmental funds. 1,436,640

Loan issuance costs paid in the current period are not financial resources and,
therefore, are not reported as assets in the governmental funds. 121,252

Long-term liabilities are not due and payable in the current period and,
therefore, are not reported as liabilities in the governmental funds. Long-term
liabilities at year-end consist of:

Installment Notes Payable	\$ (11,127,424)	
Unamortized Premium	(328,681)	
Accrued Compensated Absences	(1,026,468)	
Estimated Landfill Postclosure Costs	<u>(547,874)</u>	
		<u>(13,030,447)</u>

Net Assets of Governmental Activities **\$ 51,463,363**

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

Gadsden County, Florida

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

Year Ended September 30, 2006

	General Fund	County Transportation Fund No. 1	General Grants Fund	Emergency Medical Services
Revenues				
Taxes	\$ 10,505,192	\$ 2,651,848	\$ 0	\$ 0
Licenses and Permits	0	0	0	0
Intergovernmental Revenues	4,433,407	3,104,269	4,436,286	0
Charges for Services	254,694	146,478	319,791	1,827,261
Fines and Forfeitures	0	0	2,807	0
Miscellaneous Revenues	202,564	114,598	12,057	139,535
Total Revenues	<u>15,395,857</u>	<u>6,017,193</u>	<u>4,770,941</u>	<u>1,966,796</u>
Expenditures				
Current:				
General Government	3,865,272	0	156,675	0
Public Safety	1,437	0	428,966	2,398,424
Physical Environment	257,814	0	1,037,049	0
Transportation	10,744	4,162,089	2,692,707	0
Economic Environment	160,416	0	275,611	0
Human Services	1,221,533	0	123,323	0
Culture and Recreation	105,511	0	631,022	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Other	0	0	0	0
Total Expenditures	<u>(5,622,727)</u>	<u>(4,162,089)</u>	<u>(5,345,353)</u>	<u>(2,398,424)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>9,773,130</u>	<u>1,855,104</u>	<u>(574,412)</u>	<u>(431,628)</u>
Other Financing Sources (Uses)				
Transfers In	172,543	0	567,125	444,003
Debt Proceeds	0	507,000	461,220	0
Proceeds from Sale of				
General Capital Assets	0	581,951	0	0
Transfers Out	(9,005,261)	(1,689,959)	(408,209)	(11,100)
Transfer to Florida				
Department of Revenue	0	0	0	0
Total Other Financing				
Sources (Uses)	<u>(8,832,718)</u>	<u>(601,008)</u>	<u>620,136</u>	<u>432,903</u>
Net Change in Fund Balances	940,412	1,254,096	45,724	1,275
Fund Balances, Beginning of Year	<u>2,247,819</u>	<u>2,328,400</u>	<u>299,811</u>	<u>277,279</u>
Fund Balances, End of Year	<u>\$ 3,188,231</u>	<u>\$ 3,582,496</u>	<u>\$ 345,535</u>	<u>\$ 278,554</u>

State Housing Initiative Partnership	Capital Projects Road Resurfacing	Sheriff	Other Governmental Funds	Total Governmental Funds
0	\$ 0	\$ 0	\$ 1,678,147	\$ 14,835,187
0	0	0	500,962	500,962
466,933	0	353,762	1,682,469	14,477,126
0	0	7,875	2,705,771	5,261,870
0	0	0	25,005	27,812
49,317	163,113	359	395,244	1,076,787
<u>516,250</u>	<u>163,113</u>	<u>361,996</u>	<u>6,987,598</u>	<u>36,179,744</u>
0	0	0	5,075,650	9,097,597
0	0	6,542,193	2,284,722	11,655,742
0	0	0	0	1,294,863
0	4,138,405	0	247,722	11,251,667
483,947	0	0	13,420	933,394
0	0	0	341,295	1,686,151
0	0	0	1,148,642	1,885,175
0	0	60,894	1,088,164	1,149,058
0	0	0	411,987	411,987
0	0	0	22,811	22,811
<u>(483,947)</u>	<u>(4,138,405)</u>	<u>(6,603,087)</u>	<u>(10,634,413)</u>	<u>(39,388,445)</u>
<u>32,303</u>	<u>(3,975,292)</u>	<u>(6,241,091)</u>	<u>(3,646,815)</u>	<u>(3,208,701)</u>
0	0	5,567,469	12,436,616	19,187,756
0	0	675,050	191,796	1,835,066
0	0	0	32,347	614,298
0	0	(1,428)	(6,272,549)	(17,388,506)
0	0	0	(111,744)	(111,744)
0	0	6,241,091	6,276,466	4,136,870
32,303	(3,975,292)	0	2,629,651	928,169
0	4,720,015	0	2,769,989	12,643,313
<u>\$ 32,303</u>	<u>\$ 744,723</u>	<u>\$ 0</u>	<u>\$ 5,399,640</u>	<u>\$ 13,571,482</u>

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



Gadsden County, Florida

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities**

Year Ended September 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 928,169

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those activities is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay in excess of depreciation expense in the current period. 6,667,652

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets. 1,017,668

The issuance of long-term debt provides current financial resources to governmental funds, while it has no effect on the statement of activities. (1,835,066)

Debt issuance costs is an expenditure in the governmental funds; however, it is a deferred cost in the statement of net assets. (9,934)

Amortization of the debt premium is a revenue in the statement of activities, while it has no effect in the governmental funds. 26,923

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. This is the net amount of vacation and sick leave earned in the current period in excess of the amount used. 96,126

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 205,197

Change in Net Assets - Governmental Activities \$ 7,096,735

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

Gadsden County, Florida

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund

Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 10,258,725	\$ 10,367,100	\$ 10,505,192	\$ 138,092
Licenses and Permits	14,250	14,130	0	(14,130)
Intergovernmental Revenues	2,839,978	3,108,971	4,433,407	1,324,436
Charges for Services	204,782	203,058	254,694	51,636
Miscellaneous Revenues	73,998	81,442	202,564	121,122
Total Revenues	13,391,733	13,774,701	15,395,857	1,621,156
Expenditures				
Current:				
General Government	4,902,324	3,939,119	3,865,272	73,847
Public Safety	28,468	25,392	1,437	23,955
Physical Environment	288,247	256,724	257,814	(1,090)
Transportation	0	10,744	10,744	0
Economic Environment	182,827	163,344	160,416	2,928
Human Services	1,122,216	1,219,561	1,221,533	(1,972)
Culture and Recreation	113,164	105,193	105,511	(318)
Total Expenditures	(6,637,246)	(5,720,077)	(5,622,727)	97,350
Excess of Revenues Over				
Expenditures	6,754,487	8,054,624	9,773,130	1,718,506
Other Financing Sources (Uses)				
Transfers In	1,089,247	1,089,247	172,543	(916,704)
Transfers Out	(7,843,734)	(9,143,871)	(9,005,261)	138,610
Total Other Financing Uses	(6,754,487)	(8,054,624)	(8,832,718)	(778,094)
Net Change in Fund Balance	0	0	940,412	940,412
Fund Balance, Beginning of Year	0	0	2,247,819	2,247,819
Fund Balance, End of Year	\$ 0	\$ 0	\$ 3,188,231	\$ 3,188,231

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

Gadsden County, Florida

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual County Transportation Fund - No. 1

Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,200,428	\$ 2,061,626	\$ 2,651,848	\$ 590,222
Intergovernmental Revenues	1,582,111	3,199,762	3,104,269	(95,493)
Charges for Services	18,050	18,050	146,478	128,428
Miscellaneous Revenues	49,400	235,844	114,598	(121,246)
Total Revenues	<u>4,849,989</u>	<u>5,515,282</u>	<u>6,017,193</u>	<u>501,911</u>
Expenditures				
Current:				
Transportation	8,825,560	7,874,072	4,162,089	3,711,983
Total Expenditures	<u>(8,825,560)</u>	<u>(7,874,072)</u>	<u>(4,162,089)</u>	<u>3,711,983</u>
Excess of Revenues (Under) Over Expenditures	<u>(3,975,571)</u>	<u>(2,358,790)</u>	<u>1,855,104</u>	<u>4,213,894</u>
Other Financing Sources (Uses)				
Transfers In	1,020,000	1,020,000	0	(1,020,000)
Transfers Out	(53,929)	(1,870,710)	(1,689,959)	180,751
Debt Proceeds	3,000,000	3,000,000	507,000	(2,493,000)
Proceeds from Sale of General Capital Assets	9,500	9,500	581,951	572,451
Total Other Financing Sources (Uses)	<u>3,975,571</u>	<u>2,158,790</u>	<u>(601,008)</u>	<u>(2,759,798)</u>
Net Change in Fund Balance	<u>0</u>	<u>(200,000)</u>	<u>1,254,096</u>	<u>1,454,096</u>
Fund Balance, Beginning of Year	<u>0</u>	<u>200,000</u>	<u>2,328,400</u>	<u>2,128,400</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,582,496</u>	<u>\$ 3,582,496</u>

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

Gadsden County, Florida

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Grants Fund

Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental Revenues	\$ 7,160,126	\$ 7,160,126	\$ 4,436,286	\$ (2,723,840)
Charges for Services	62,183	62,183	319,791	257,608
Fines and Forfeitures	0	0	2,807	2,807
Miscellaneous Revenues	500	500	12,057	11,557
Total Revenues	<u>7,222,809</u>	<u>7,222,809</u>	<u>4,770,941</u>	<u>(2,451,868)</u>
Expenditures				
Current:				
General Government	166,316	166,316	156,675	9,641
Public Safety	859,738	859,738	428,966	430,772
Physical Environment	1,661,569	1,661,569	1,037,049	624,520
Transportation	2,986,731	2,986,731	2,692,707	294,024
Economic Environment	1,016,877	1,016,877	275,611	741,266
Human Services	190,723	190,723	123,323	67,400
Culture and Recreation	932,020	932,020	631,022	300,998
Total Expenditures	<u>(7,813,974)</u>	<u>(7,813,974)</u>	<u>(5,345,353)</u>	<u>2,468,621</u>
Excess of Revenues (Under) Over				
Expenditures	<u>(591,165)</u>	<u>(591,165)</u>	<u>(574,412)</u>	<u>16,753</u>
Other Financing Sources (Uses)				
Transfers In	618,883	618,883	567,125	(51,758)
Debt Proceeds	626,220	626,220	461,220	(165,000)
Transfers Out	(660,785)	(660,785)	(408,209)	252,576
Total Other Financing Sources (Uses)	<u>584,318</u>	<u>584,318</u>	<u>620,136</u>	<u>35,818</u>
Net Change in Fund Balance	<u>(6,847)</u>	<u>(6,847)</u>	<u>45,724</u>	<u>52,571</u>
Fund Balance, Beginning of Year	<u>6,847</u>	<u>6,847</u>	<u>299,811</u>	<u>292,964</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 345,535</u>	<u>\$ 345,535</u>

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

Gadsden County, Florida

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Emergency Medical Services**

Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 1,200,800	\$ 1,300,826	\$ 1,827,261	\$ 526,435
Miscellaneous Revenues	132,050	227,066	139,535	(87,531)
Total Revenues	<u>1,332,850</u>	<u>1,527,892</u>	<u>1,966,796</u>	<u>438,904</u>
Expenditures				
Current:				
Public Safety	<u>1,672,536</u>	<u>1,971,895</u>	<u>2,398,424</u>	<u>(426,529)</u>
Excess of Revenues (Under) Over Expenditures	<u>(339,686)</u>	<u>(444,003)</u>	<u>(431,628)</u>	<u>12,375</u>
Other Financing Sources (Uses)				
Transfers In	339,686	455,103	444,003	(11,100)
Transfers Out	<u>0</u>	<u>(11,100)</u>	<u>(11,100)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>339,686</u>	<u>444,003</u>	<u>432,903</u>	<u>(11,100)</u>
Net Change in Fund Balance	0	0	1,275	1,275
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>277,279</u>	<u>277,279</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 278,554</u>	<u>\$ 278,554</u>

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

Gadsden County, Florida

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
State Housing Initiative Partnership (SHIP)**

Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenues	\$ 522,037	\$ 522,037	\$ 466,933	\$ (55,104)
Charges for Services	0	0	0	0
Miscellaneous Revenues	0	0	49,317	49,317
Total Revenues	<u>522,037</u>	<u>522,037</u>	<u>516,250</u>	<u>(5,787)</u>
Expenditures				
Current:				
Economic Environment	522,037	522,037	483,947	38,090
Total Expenditures	<u>522,037</u>	<u>522,037</u>	<u>483,947</u>	<u>38,090</u>
Excess of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>32,303</u>	<u>32,303</u>
Net Change in Fund Balance	0	0	32,303	32,303
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 32,303</u></u>	<u><u>\$ 32,303</u></u>

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

Gadsden County, Florida

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Capital Projects - Road Resurfacing**

Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Miscellaneous Revenues	\$ 4,203,769	\$ 4,203,769	\$ 163,113	\$ (4,040,656)
Total Revenues	<u>4,203,769</u>	<u>4,203,769</u>	<u>163,113</u>	<u>(4,040,656)</u>
Expenditures				
Current:				
Transportation	4,203,769	4,203,769	4,138,405	65,364
Total Expenditures	<u>(4,203,769)</u>	<u>(4,203,769)</u>	<u>(4,138,405)</u>	<u>65,364</u>
Excess of Revenues Under				
Expenditures	<u>0</u>	<u>0</u>	<u>(3,975,292)</u>	<u>(3,975,292)</u>
Net Change in Fund Balance	0	0	(3,975,292)	(3,975,292)
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>4,720,015</u>	<u>4,720,015</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 744,723</u>	<u>\$ 744,723</u>

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

Gadsden County, Florida

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Sheriff

Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes				\$ 0
Licenses and Permits				0
Intergovernmental Revenues	\$ 0	\$ 0	\$ 353,762	353,762
Charges for Services	0	0	7,875	7,875
Miscellaneous Revenues	0	0	359	359
Total Revenues	<u>0</u>	<u>0</u>	<u>361,996</u>	<u>361,996</u>
Expenditures				
Current:				
Public Safety	5,463,011	6,181,625	6,542,193	(360,568)
Debt Service:				
Principal	0	60,894	60,894	0
Total Expenditures	<u>5,463,011</u>	<u>6,242,519</u>	<u>6,603,087</u>	<u>(360,568)</u>
Excess of Revenues (Under) Over Expenditures	<u>(5,463,011)</u>	<u>(6,242,519)</u>	<u>(6,241,091)</u>	<u>1,428</u>
Other Financing Sources (Uses)				
Transfers In	5,463,011	5,567,469	5,567,469	0
Installment purchases	0	675,050	675,050	0
Transfers Out	0	0	(1,428)	(1,428)
Total Other Financing Sources (Uses)	<u>5,463,011</u>	<u>6,242,519</u>	<u>6,241,091</u>	<u>(1,428)</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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>

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

Gadsden County, Florida
Statement of Fiduciary Net Assets
September 30, 2006

	Private Purpose Trust Fund	Agency Funds	Total
Assets			
Cash	\$ 436,461	\$ 1,261,409	\$ 1,697,870
Investments	12,858,998	0	12,858,998
Accounts Receivable	102,077	462	102,539
Due From Other Funds	0	26,041	26,041
Due from Other Governments	0	510	510
Total Assets	<u>13,397,536</u>	<u>1,288,422</u>	<u>14,685,958</u>
Liabilities			
Accounts Payable	1,799,250	25,138	1,824,388
Due to Individuals	0	152,289	152,289
Due to Other Funds	0	15,940	15,940
Due to Other Governments	0	45,668	45,668
Inmate Trust Funds	0	8,498	8,498
Installment Tax Deposits	0	203,310	203,310
Deposits	0	837,579	837,579
Total Liabilities	<u>1,799,250</u>	<u>1,288,422</u>	<u>3,087,672</u>
Net Assets			
Held in Trust	<u>\$ 11,598,286</u>	<u>\$ 0</u>	<u>\$ 11,598,286</u>

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

Gadsden County, Florida

Statement of Changes in Fiduciary Net Assets

Year Ended September 30, 2006

	Private Purpose Trust Fund
Additions	
Investment Earnings:	
Net Appreciation in Fair Value of Investments	\$ 568,404
Interest and Dividends	343,254
Total Additions	<u>911,658</u>
Deductions	
Transfers Out	1,799,250
Administrative Fees	21,108
Total Deductions	<u>(1,820,358)</u>
Net Decrease	(908,700)
Net Assets Held in Trust, Beginning of Year	<u>12,506,986</u>
Net Assets Held in Trust, End of Year	<u><u>\$ 11,598,286</u></u>

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

Gadsden County, Florida
Notes to Financial Statements

September 30, 2006

Note 1. Reporting Entity

Gadsden County, Florida (the County) is a political subdivision of the State of Florida and provides services to its residents in many areas including general government, public safety, physical environment, transportation, economic environment, human services, and culture and recreation. It is governed by a five-member elected Board of County Commissioners (the Board), which derives its authority by *Florida Statutes* and regulations. In addition to the members of the Board, there are five elected Constitutional Officers: Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections. The Constitutional Officers, with the exception of the Supervisor of Elections, maintain separate accounting records and budgets.

The accompanying financial statements include the operations of the Board and the Constitutional Officers. In addition, each Constitutional Officer has separately issued financial statements.

The Board funds a portion, or in certain instances, all of the operating budgets of the County's Constitutional Officers. *Florida Statutes* require the applicable budget excess of the Constitutional Officers to be remitted back to the Board at the close of the fiscal year.

The accompanying financial statements present the primary government, and its component units, for which the primary government is considered to be financially accountable. Also included are other entities whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in Governmental Accounting Standards Board (GASB) Statement No. 14 to determine whether the entity is: a) part of the primary government; b) a component unit which should be included in the reporting entity (blended or discretely presented); or c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include the legal separateness of the organization, the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit, or the potential component unit's fiscal dependency on the primary government. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the reporting entity:

▪ **Gadsden County Hospital (the Hospital)**

The Hospital was created pursuant to Chapter 24534, *Laws of Florida, 1947*. In evaluating this potential component unit, it was determined that the Hospital is not a separate legal entity as it generally cannot transact business in its own name and, therefore, should be included as part of the primary government for reporting purposes. The Hospital does not function as an operating hospital, but provides the facilities and the maintenance and repair of such facilities for a provider who contracts with the County to operate the hospital. The assets, liabilities, and

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 1. Reporting Entity (continued)

results of operations of the Hospital are presented in the financial statements of the County as a non-major special revenue fund.

- **Gadsden County Industrial Development Authority (the Development Authority)**

The Development Authority was created by resolution of the Board pursuant to Chapter 159, Part III, *Florida Statutes*. The Development Authority members are appointed by the Board; however, the Board's accountability for the Development Authority does not extend beyond making the appointments. Accordingly, the Development Authority is considered to be a related organization only, and is not included in the financial reporting entity.

- **Quincy-Gadsden Airport Authority (the Airport Authority)**

The Airport Authority was created by Chapter 88-439, *Laws of Florida*. The Authority is composed of five members. Two members are appointed by the City of Quincy, Florida, two members are appointed by the Board, and one member is appointed by these four members. The Airport Authority is a local unit of special-purpose government and is not considered a component unit of the County and is not included in the financial reporting entity.

- **Gadsden County Enterprise Zone Development Agency (the Agency)**

The Agency was created by ordinance of the Board pursuant to Chapter 290, *Florida Statutes*, to carry out economic development and redevelopment activities. The Agency Board members are appointed by the Board and the Board retains various powers including approving expenditures, borrowing funds, investing funds and approving assistance to businesses within the enterprise zone. Accordingly, the activities of the Agency are included as a blended component unit in the County's financial statements.

Note 2. Summary of Significant Accounting Policies

The accounting policies of the County conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Gadsden County, Florida
Notes to Financial Statements

September 30, 2006

Note 2. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and, b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports seven major governmental funds:

- General Fund – The general fund is the County’s primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund.
- County Transportation Fund No. 1 – This fund accounts for fuel tax revenues to be expended for activities related to the transportation system.
- General Grants Fund – This fund accounts for a majority of the federal and state grants received by the County.
- Emergency Medical Services – This fund accounts for the activity of the Emergency Ambulance Service.
- State Housing Initiatives Partnership (SHIP) – This fund accounts for state grants received for the creation of local housing partnerships, to expand production of and preservation of affordable housing, and to increase housing-related employment.
- Capital Projects-Road Resurfacing – This fund accounts for loan funds received and the related expenditures for road resurfacing.
- Sheriff – The Sheriff is an elected official of Gadsden County.

Gadsden County, Florida
Notes to Financial Statements

September 30, 2006

Note 2. Summary of Significant Accounting Policies (continued)

The County also reports two types of fiduciary funds, agency funds which are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals, and a private purpose trust fund to account for the Gadsden County Hospital Trust.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 30 days at the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Budgets and Budgetary Accounting

The County follows the procedures provided by *Florida Statutes* in establishing budget balances reported on the financial statements.

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law.
- Budgets are generally prepared for the governmental funds on a basis consistent with generally accepted accounting principles.
- Appropriations lapse at year end to the extent that they have not been expended. Budget appropriations may not be legally exceeded on a fund basis.
- Budgetary information presented for Emergency Medical Services reflects an overage of expenditures due to a reclassification of bad debt expense. The budget is based upon bad debts being netted against service revenues rather than a budgeted expenditure. This fund is in compliance with the County's budget.

Gadsden County, Florida
Notes to Financial Statements

September 30, 2006

Note 2. Summary of Significant Accounting Policies (continued)

Investments

Investments consist of monies invested as follows:

- State Board of Administration, stated at fair value.
- Repurchase agreements with a local bank, stated at fair value.
- Investments of the endowment fund consist of monies invested with a local bank and are stated at fair value.

Receivables

Receivables are shown at their net realizable value and reduced by an allowance for uncollectible accounts.

Due From (To) Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Prepaid Items

Certain payments to vendors are made in advance of the accounting period to which the cost relates. These payments are reported under the purchases method, i.e., expenditures are recorded when payment is made.

Inventories

Inventories shown in the General Fund consist of fuel and office supplies valued at cost. General fund inventory is recorded under the consumption method and, accordingly, expenditures are incurred when inventory is consumed rather than when purchased.

Inventories shown in the County Transportation-No. 1 Fund consist predominately of repair parts and are stated at the lower of cost (determined on a first in, first out basis) or market. These inventories are accounted for under the purchases method; i.e., the cost is recorded as an expenditure when purchased. Accordingly, fund balance is reserved for the amount of inventory existing at year end.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, right of ways, stormwater systems, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 2. Summary of Significant Accounting Policies (continued)

of one year. Land and buildings acquired prior to October 1, 1980, were recorded at the values stated on the 1979 Gadsden County Property Appraiser's assessment roll. Acquisitions of land and buildings since October 1, 1980, have been recorded at cost. Roads, bridges, and other infrastructure assets constructed prior to October 1, 2002 are reported at estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are expensed as incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements Other Than Buildings	50
Machinery and Equipment	5-20
Infrastructure	15-25

Major outlays for capital assets and improvements are capitalized as projects are constructed. For assets constructed with governmental fund resources, interest during construction is not capitalized.

Deferred Revenues

Deferred revenues reported in the government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Compensated Absences

Upon retirement or resignation, employees may be paid a cash benefit equal to the number of vacation hours accrued up to a maximum amount, based upon the employee's current wage rate.

Upon retirement or resignation in good standing, employees are paid a portion of accumulated sick leave. The portion is payable at various percentages depending on years of service and the governmental office in which the employee worked.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 2. Summary of Significant Accounting Policies (continued)

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. *Florida Statutes* permit counties to levy property taxes at a rate of up to 10 mills for general operations.

The tax levy of the County is established by the Board prior to October 1, of each year and the Property Appraiser incorporates the County millages into the total tax levy, which includes the various municipalities, the county school board, and other taxing authorities.

All property is assessed according to its fair market value January 1, of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of *Florida Statutes*.

All taxes become payable on November 1, of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. Taxes paid in March are without discount.

On or prior to June 1, following the tax year, tax certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold tax certificates are held by the County.

Reserves and Designations of Fund Equity

Reserves indicate that portion of fund balance or net assets that is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended. Designated portions of fund equity represent management's tentative future spending plans. Such designations should be clearly distinguished from reserves, since managerial plans are subject to change and may never be legally authorized or result in actual expenditures.

Use of Restricted Assets

It is generally the practice of the County to utilize restricted net assets before unrestricted net assets when possible.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 2. Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances represent commitments in the form of purchase orders which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances do not represent expenditures or liabilities. The County does not record encumbrances outstanding at year end.

Note 3. Cash and Investments

The County maintains its investments in two separate areas: those which support the County's public purpose and programs of the County, and the Hospital Endowment Trust Fund, for which funds are held in trust for the benefit of the County and the Gadsden County Hospital.

Public Purpose:

As of September 30, 2006, the County's public purpose programs had the following in cash and investments:

	<u>Carrying Amount</u>
Cash on Hand	\$ 2,085
Deposits in Qualified Public Depositories	3,716,539
Overnight Repurchase Agreement	2,938,195
Local Government Surplus Funds Trust Fund	5,496,310
Total Cash and Investments	<u>\$12,153,129</u>

Credit Risk

In accordance with *Florida Statutes*, Section 218.415(1-16), the County adopted a written investment policy on October 1, 1995. The policy includes the objectives of safety, liquidity, and investment income, in order of priority. Authorized investments included in the policy are:

1. The Local Government Surplus Funds Trust Fund administered by the State Board of Administration;
2. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government, which include, but are not limited to: treasury bills, treasury notes, treasury bonds, and treasury strips.
3. Bonds, debentures, notes or other evidence of indebtedness, issued or guaranteed by United States agencies provided such obligations are backed by the full faith and credit of the United States Government, which include, but are not limited to: Farmers Home

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 3. Cash and Investments (continued)

Administration, Federal Financing Bank, Federal Housing Administration Debentures, and Government National Mortgage Association.

4. Bonds, debentures, notes or other evidence of indebtedness, issued or guaranteed by United States government agencies (federal instrumentalities), which are not full-faith and credit agencies limited to the following: Federal Farm Credit Bank, Federal Home Land Bank or its district banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association.
5. Non-negotiable interest-bearing time certificates of deposit, money market accounts or savings accounts in banks/savings and loan associations organized under the laws of the United States.
6. Repurchase agreements (for purchase and subsequent sale) for any of the investments authorized above in items 3 and 4.

The Local Government Surplus Funds Trust Fund (LGSF) is administered by the Florida State Board of Administration (SBA). The LGSF is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. The LGSF is governed by Chapter 19-7 of the *Florida Administrative Code*, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Florida Office of the Auditor General performs the operational audit of the activities and investments of the SBA. The County's fair value of their position in the pool approximates their value of the pool shares. Investments with SBA are not evidenced by securities that exist in physical or book entry form. The LGSF is not rated by statistical rating organizations.

The securities utilized by the financial institution to pledge against the County's overnight repurchase agreement at September 30, 2006 consist primarily of treasury notes and Agency securities from the Federal National Mortgage Association and Government National Mortgage Association. The treasury notes are triple A-rated by a nationally recognized statistical rating organization. The Agency securities are not fully rated.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 3. Cash and Investments (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, or the failure of the counterparty, the government's deposits may not be returned to it, or the government may not be able to recover the value of its investments that are in the possession of an outside party.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories.

The County's investments in the overnight repurchase agreement are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent and are not held in the County's name. The bank balance of the repurchase account at September 30, 2006 was \$2,938,195. The remainder of the County's deposits is considered fully insured or collateralized. Bank balances at September 30, 2006 were \$3,092,229.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County limits interest rate risk for the repurchase agreement by utilizing an overnight sweep agreement to invest excess cash balances.

Hospital Endowment Trust Fund:

As of September 30, 2006, the Hospital Endowment Trust Fund had the following balances in cash and investments:

	<u>Carrying Amount</u>
Cash on Hand	\$ 436,461

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 3. Cash and Investments (continued)

Hospital Endowment Trust Fund (continued)

Investments at Capital City Trust Company:

	<u>Fair Value</u>
Cash	\$ 1,336
Cash Equivalents	466,293
U.S. Government Agencies	1,955,061
Corporate Bonds and Notes	98,596
Mutual Funds-Taxable (Fixed)	484,555
Common Stock	6,304,638
Foreign Equities	68,180
Mutual Funds-Taxable (Equity)	712,859
Mutual Funds-Not Classified	<u>959,142</u>
Total Capital City Trust Company	<u>11,050,660</u>
Local Government Surplus Trust Fund	<u>1,808,338</u>
Total Investments	<u>\$12,858,998</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Investing activities for the Hospital Endowment Trust Fund are performed strictly by the members of the Trust committee. The County has no involvement in investment decisions, and there are no written procedures outlining investment policies.

The Corporate Bonds and U.S. Government Agency holdings of the Hospital Endowment Trust Fund are triple A-rated by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government may not be able to recover the value of its investments that are in the possession of the outside party. Custody of the Hospital Endowment Trust Fund's investments is maintained in the County's name by Capital City Trust Company, the fiduciary of the account.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the investments of the Hospital Endowment Trust Fund in any one issuer that represents 5 percent or more of the total

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 3. Cash and Investments (continued)

investment. There were no individual investments that represented more than 5% of the investment.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital Endowment Trust Fund includes the following investments on a time-segmented basis:

Investment Type	Fair Value	Less Than One Year	1-5 Years
U.S. Government Agencies	\$ 98,596	\$ 0	\$ 98,596
Corporate Bonds	1,955,061	995,628	959,433
Mutual Funds – Taxable (Fixed)	484,555	0	484,555
Non-Classifiable	8,512,448	8,512,448	0
Total	<u>\$11,050,660</u>	<u>\$9,508,076</u>	<u>\$1,542,584</u>

Cash – Loan Proceeds

The unused portion of the loan with the Florida Municipal Loan Council is maintained in an enhanced cash portfolio by Wachovia Bank, the loan administrator. The carrying value and bank balance was \$1,964,601 at September 30, 2006.

The County is authorized by Section 125.31, *Florida Statutes*, to invest surplus public funds in certain securities and institutions including, but not limited to, the local government surplus trust fund administered by the State Board of Administration, negotiable direct obligations of the U.S. Government, and interest-bearing time deposits or savings accounts.

Note 4. Receivables

Receivables at September 30, 2006, consist of the following:

	General Fund	County Transp Fund	Emerg Medical Services	General Grants Fund	Capital Project Road Resurfacing	Sheriff	Other Govern Funds	Total
Other Receivable	\$ 55,433	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$1,799,250	\$1,854,683
Gross Accounts Receivables	77,249	124,881	1,906,434	131,220	1,000,000	39,381	22,575	3,301,740
Allowance for Uncollectibles	0	0	(953,191)	0	0	0	(533)	(953,724)
Total Receivables	<u>\$132,682</u>	<u>\$124,881</u>	<u>\$953,243</u>	<u>\$131,220</u>	<u>\$1,000,000</u>	<u>\$39,381</u>	<u>\$1,821,292</u>	<u>\$4,202,699</u>

Gadsden County, Florida
Notes to Financial Statements

September 30, 2006

Note 5. Interfund Receivables, Payables and Transfers

Interfund balances at September 30, 2006, consisted of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$122,457	\$160,493
Special Revenue Funds		
County Transportation Fund No. 1	1,496,083	0
General Grants Fund	0	290,004
Capital Projects Road Resurfacing	0	1,365,095
Sheriff	232,376	173,204
Other Governmental Funds	474,344	346,565
Total Special Revenue Funds	2,202,803	2,174,868
Agency Funds	26,041	15,940
Total	<u>\$2,351,301</u>	<u>\$2,351,301</u>

The General Fund has amounts due to and from Constitutional Officers, which predominately represents the return of the excess due at the end of the fiscal year, from either budget officers or fee officers. Remaining balances resulted from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

Interfund transfers for the year ended September 30, 2006, consisted of the following:

	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 172,543	\$9,005,261
Special Revenue Funds		
County Transportation Fund No. 1	0	1,689,959
General Grants Fund	567,125	408,209
Emergency Medical Services	444,003	11,100
Sheriff	5,567,469	1,428
Other Governmental Funds	12,436,616	6,272,549
Total Special Revenue Funds	19,015,213	8,383,245
Fiduciary Funds		
Private Purpose Trust Fund	0	1,799,250
Total Fiduciary Funds	0	1,799,250
Total Interfund Transfers	<u>\$19,187,756</u>	<u>\$19,187,756</u>

Interfund transfers from the general fund and other governmental funds to the Sheriff and other governmental funds were predominately to transfer the Board's appropriation to the constitutional officers.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 6. Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1,458,634	\$ 66,533	\$ 0	\$ 1,525,167
Construction in Progress	<u>1,448,768</u>	<u>501,089</u>	<u>(1,446,943)</u>	<u>502,914</u>
Total Capital Assets Not Being Depreciated	2,907,402	567,622	(1,446,943)	2,028,081
Capital Assets Being Depreciated:				
Buildings	18,239,841	1,893,135	0	20,132,976
Improvements Other Than Buildings	1,120,409	275,032	0	1,395,441
Machinery and Equipment				
Board and Clerk	14,330,909	1,523,466	(1,330,359)	14,524,016
Sheriff	<u>2,930,746</u>	<u>829,701</u>	<u>(681,965)</u>	<u>3,078,482</u>
Total Machinery and Equipment	17,261,655	2,353,167	(2,012,324)	17,602,498
Infrastructure	<u>25,453,670</u>	<u>6,977,206</u>	<u>0</u>	<u>32,430,876</u>
Total Capital Assets Being Depreciated	<u>62,075,575</u>	<u>11,498,540</u>	<u>(2,012,324)</u>	<u>71,561,791</u>
Less Accumulated Depreciation for:				
Buildings	\$ 5,751,568	\$ 393,778	\$ 0	\$ 6,145,346
Improvements Other Than Buildings	287,013	22,853	0	309,866
Machinery and Equipment	8,904,019	1,102,816	(1,166,558)	8,840,277
Infrastructure	<u>7,343,593</u>	<u>1,586,354</u>	<u>0</u>	<u>8,929,947</u>
Total Accumulated Depreciation	<u>22,286,193</u>	<u>3,105,801</u>	<u>(1,166,558)</u>	<u>24,225,436</u>
Total Capital Assets Being Depreciated, Net	<u>39,789,382</u>	<u>8,392,739</u>	<u>(845,766)</u>	<u>47,336,355</u>
Total Capital Assets, Net	<u>\$42,696,784</u>	<u>\$ 8,960,361</u>	<u>\$(2,292,709)</u>	<u>\$ 49,364,436</u>

Depreciation expense was charged to governmental activities functions/programs of the primary government as follows:

General Government	\$ 244,460
Public Safety	498,290
Physical Environment	68,776
Transportation	1,961,029
Economic Environment	1,358
Human Services	270,826
Culture and Recreation	61,062
Total Depreciation Expense – Governmental Activities	<u>\$3,105,801</u>

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 7. Long-Term Debt

Summary of Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2006:

	<u>Balance 10/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/06</u>	<u>Due Within One Year</u>
Estimated landfill postclosure costs.	\$574,612	\$ 0	\$ (26,738)	\$547,874	\$ 0
Employee compensated absences payable.	930,342	1,074,993	(978,867)	1,026,468	479,731
Computer hardware, software and services purchase, payable in three annual installments of \$33,054, including imputed interest at 8.25% (prime rate at inception), commencing September 2006.	0	91,796	(33,054)	58,742	28,207
Installment purchase, Leasing 2, Inc., due in five annual installments of \$125,954, commencing in January 2002, including interest at 3.45%, secured by five fire trucks.	239,640	0	(117,820)	121,820	121,820
Installment purchase, Leasing 2, Inc., due in five annual installments of \$140,026, commencing in January 2002, including interest at 3.65%, secured by various machinery.	265,434	0	(265,434)	0	0
Installment purchase, Capital City Bank, due in five annual installments of \$57,486, commencing in July 2003, including interest at 2.8%, secured by excavator.	163,083	0	(52,817)	110,266	54,372
Installment purchase, Capital City Bank, due in four annual installments of \$34,203, commencing in April 2006, including interest at 3.77%, secured by dump trucks.	124,670	0	(29,438)	95,232	30,681

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 7. Long-Term Debt (continued)

	<u>Balance 10/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/06</u>	<u>Due Within One Year</u>
Installment purchase, Capital City Bank, due in three annual installments of \$26,863, commencing in April 2006, including interest at 3.63%, secured by tractor.	\$75,000	\$ 0	\$(24,103)	\$50,897	\$25,055
Installment purchase, ACS, due in four annual payments of \$20,000, commencing in January 2003, plus a payment in the fifth year of \$3,764, including interest at 6.99%, secured by computer equipment.	21,928	0	(18,418)	3,510	3,510
Vehicle purchase, payable in 60 monthly installments of \$567, including interest at 4.0%, commencing December 2003.	20,207	0	(6,107)	14,100	6,356
Vehicle purchase of 30, payable in 11 quarterly payments of \$60,894 and one final payment of \$60,892, including interest at 5.90%, commencing July 2006.	0	675,050	(60,894)	614,156	211,974
Vehicle purchase, payable in 60 installments of \$499, commencing in December 2003, including interest at 4.0%.	17,763	0	(5,369)	12,394	5,587
Vehicle purchase payable in 48 monthly payments of \$498, commencing October 2005, including interest at 6.5%.	17,372	0	(4,228)	13,144	4,511
Installment purchase, Hancock Bank of Florida, due in four annual payments of \$139,246, commencing August 2006, including interest at 3.870%, secured by future non-ad valorem revenues.	0	507,000	0	507,000	119,625

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 7. Long-Term Debt (continued)

	<u>Balance 10/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/06</u>	<u>Due Within One Year</u>
Line of credit, Florida Local Government Finance Commission Pooled Commercial Paper Program, monthly interest payments with an annual principal payment of \$21,500 in December of each year, including interest at 1.26%, secured by future half-cent sales tax revenues, funds to be used for the purchase of land and construction of the new library building.	\$193,500	\$0	\$(21,500)	\$172,000	\$21,500
Line of credit, Florida Local Government Finance Commission Pooled Commercial Paper Program, monthly interest payments with an annual principal payment of \$54,000 in December of each year, including interest at 2.63%, secured by future half-cent sales tax revenues, funds to be used for the acquisition of real property and construction of the new library building.	800,000	0	(54,000)	746,000	54,000
Line of credit, Florida Local Government Finance Commission Pooled Commercial Paper Program, monthly interest payments with an annual principal payment of \$54,000 in December of each year, including interest at 3.570%, secured by future half-cent sales tax revenues, funds to be used for the acquisition of real property for the new library.	146,943	461,220	0	608,163	54,000
Line of credit, Bank of America, one payment of \$100,000 in December 2006, including interest at 1.35% plus 63.702% of the LIBOR rate, secured by future non-ad valorem revenues.	0	100,000	0	100,000	100,000

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 7. Long-Term Debt (continued)

	<u>Balance 10/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/06</u>	<u>Due Within One Year</u>
Loan with the Florida Municipal Loan Council, semi-annual interest payments in May and November, commencing May 2005, interest at 4.53%, principal payment in December for \$460,000 through 2018, funds to be used for infrastructure.	\$ 8,390,000	\$ 0	\$ (490,000)	\$ 7,900,000	\$ 500,000
	<u>\$11,980,494</u>	<u>\$2,910,059</u>	<u>\$(2,188,787)</u>	<u>\$12,701,766</u>	<u>\$1,820,929</u>

Interest expense during 2006 on long-term debt totaled \$444,732, none of which was capitalized.

Maturities of Long-Term Debt

Maturities of long-term debt for years ending September 30, 2006 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,820,929	\$ 413,747
2008	1,149,799	378,081
2009	1,102,206	346,884
2010	1,307,058	307,375
2011	942,163	269,973
2012-2016	3,055,000	983,378
2017-2019	2,230,000	179,500
Other Years (Including Compensated Absences after One Year and Estimated Landfill Postclosure Costs)	1,094,611	0
Total	<u>\$ 12,701,766</u>	<u>\$ 2,878,938</u>

Original Issue Premium and Loan Issue Costs

Unamortized original issue premium and loan issuance costs for the loan with the Florida Municipal Loan Council at September 30, 2006 were \$328,681 and \$121,252, respectively.

Line of Credit

The unused amount of the line of credit as of September 30, 2006 was \$898,837.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 8. Defined Benefit Pension Plan

Plan Description – The County contributes to the Florida Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, 2639 North Monroe Street, Tallahassee, Florida 32399, or by calling (850) 488-5706.

Funding Policy – The System is employee noncontributory. The County is required to contribute at an actuarially determined rate. The contributions required for the years ended September 30, 2006, 2005 and 2004 were \$1,321,707, \$1,119,505, and \$1,093,298, respectively, which is equal to 100% of the required contribution for each year. The rates for 2006 and 2005 fiscal years were as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2005	July 1, 2006
Regular Class	Normal retirement at age 62 or at least 30 years of service: 1.60% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	7.83%	9.85%
Senior Management Class	Normal retirement at seven years and age 62: 2.00% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	10.45%	13.12%
Special Risk (sworn employees)	Normal retirement at age 55, or 25 years of special risk service: 2% to 3% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	18.53%	20.92%
Elected County Officers' Class (ESCOC) – Non-Judicial	Normal retirement at eight years ESCOC service and age 62: 3.00% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	15.23%	16.53%
Deferred Retirement Option Program (DROP)	Retirement benefit paid to DROP where it earns 6.5% interest, tax deferred, for up to five years while the member continues to work.	Available to vested members at normal retirement age or date.	9.33%	10.91%

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 9. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and the public, or damage to property of others. The County obtained commercial insurance against losses for the following types of risk:

- Real and Personal Property Damage
- Public Employees' Bond
- Workers' Compensation
- Automobile Liability

The County participates in the Florida Association of Counties Trust (FACT), a public entity risk pool for risks related to comprehensive general liability. The agreement provides that the financial liability of each participating county is limited to premiums and surplus contributions paid or obligations made to FACT. Aggregate coverage provided is limited to \$1,000,000 for each claim.

Note 10. Subsequent Event

On November 4, 2005, the Agency for Health Care Administration (ACHA) closed Gadsden Community Hospital, which was leased to and operated by Ashford Healthcare Systems, Inc. (AHS). AHS filed a petition for Chapter 11 bankruptcy on November 14, 2005.

The Gadsden County Board of Commissioners began efforts to reopen the hospital. In doing so, the County established Gadsden Hospital, Inc. (GHI), a non-profit corporation and is making provisions to lease the hospital to GHI. To comply with the licensing requirements of AHCA and to clear debt owed by former leasing company (AHS), the County entered into an agreement regarding change of ownership and transition of hospital operations. This agreement obligated certain monies from the Hospital Endowment Fund. These costs include:

- \$548,089.40 owed to the Agency for Health Care Administration for the Medicaid audit C.I. 04-2349-0000 and the federal match portion of the Medicaid rate audit to be repaid monthly over a twenty-four month installment plan when the hospital reopens.
- \$1,190,145.60 is payable to the Agency for Health Care for Public Medical Assistance Trust Fund (PMATF). This amount shall be satisfied through cash and improvement credits within eighteen months after the license has been issued.

Gadsden County, Florida
Notes to Financial Statements

September 30, 2006

Note 10. Subsequent Event (continued)

- \$275,000.00 is owed to AHCA for PMATF assessments to be paid upon issuance of the Change Operations.
- \$275,000.00 is payable to the bankruptcy estate of Ashford due upon the entry of an Order by the Bankruptcy court that may not be appealed.

Note 11. Hospital Endowment Trust Fund

On July 7, 1952, a trust was established with Quincy State Bank (now Capital City Bank) as trustee to accept gifts and bequests for the benefit of the Hospital. The corpus of the trust is unavailable for use except in an emergency, and then only upon the approval of the parties to the trust agreement and the Circuit Court of Gadsden County. The trust is accounted for as a private purpose trust fund in the fiduciary fund financial statements.

Note 12. Landfill Postclosure Costs

The Board has obtained engineering estimates of future costs to monitor the landfill sites as required by U.S. Environmental Protection Agency regulations and the related provisions of GASB Statement No. 18. A long-term liability for accrued landfill postclosure costs at September 30, 2006, has been recorded in the statement of net assets representing the Board's estimated liabilities for such costs. In addition, the Board has established a landfill escrow account to accumulate funds for monitoring and final closure of the landfills. The County does not presently own or operate any open sanitary landfill sites.

Note 13. Commitments and Contingencies

Pending Litigation

The County is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the County's management, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position of the County.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2006

Note 13. Commitments and Contingencies (continued)

Construction Commitments

The following is a summary of major commitments of the County and contracts in progress as of September 30, 2006:

<u>Project</u>	<u>Fund</u>	<u>Contract Amount</u>	<u>Expended as of 9/30/06</u>
Chattahoochee Public Library	Culture/Recreation	\$ 1,062,390	\$ 332,780
Robertsville Fire Station	Public Safety	102,778	64,542
Road Resurfacing	General Grants	20,415,180	19,534,194
		<u>\$ 21,580,348</u>	<u>\$ 19,931,516</u>

Accompanying Information

Gadsden County, Florida
Combining Balance Sheet
Non-Major Governmental Funds

September 30, 2006

	<u>Special Revenue</u>		
	<u>Fines and Forfeitures</u>	<u>Waste Services</u>	<u>Library Services-State</u>
Assets			
Cash	\$ 398,335	\$ 807	\$ 343,161
Investments	0	180,474	0
Receivables (Net of Allowance for Uncollectible):			
Accounts	0	(433)	10,000
Other	0	0	0
Due from Other Funds	128,287	0	0
Due from Other Governments	217,360	0	0
Total Assets	<u>\$ 743,982</u>	<u>\$ 180,848</u>	<u>\$ 353,161</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 40,166	\$ 363	\$ 6,771
Due to Other Funds	0	0	0
Due to Other Governments	0	0	0
Deferred Revenues	215,644	0	0
Total Liabilities	<u>255,810</u>	<u>363</u>	<u>6,771</u>
Fund Balances			
Restricted for:			
Radio Communications	0	0	0
E911 System	0	0	0
Police Training	94,025	0	0
Records Modernization	0	0	0
Unrestricted	394,147	180,485	346,390
Total Fund Balances	<u>488,172</u>	<u>180,485</u>	<u>346,390</u>
Total Liabilities and Fund Balances	<u>\$ 743,982</u>	<u>\$ 180,848</u>	<u>\$ 353,161</u>

Special Revenue

E-911	Law Library	Fire Assessment	Court Facilities
\$ 133,263 0	\$ 7,613 0	\$ 690,426 0	\$ 246,464 0
9,500	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>\$ 142,763</u>	<u>\$ 7,613</u>	<u>\$ 690,426</u>	<u>\$ 246,464</u>
\$ 5,004 41,746 0 0	\$ 87 0 0 0	\$ 128,063 0 0 0	\$ 0 0 0 0
<u>46,750</u>	<u>87</u>	<u>128,063</u>	<u>0</u>
0 96,013 0 0 0	0 0 0 0	0 0 0 0	0 0 0 0
<u>0</u>	<u>7,526</u>	<u>562,363</u>	<u>246,464</u>
<u>96,013</u>	<u>7,526</u>	<u>562,363</u>	<u>246,464</u>
<u>\$ 142,763</u>	<u>\$ 7,613</u>	<u>\$ 690,426</u>	<u>\$ 246,464</u>

Gadsden County, Florida

Combining Balance Sheet Non-Major Governmental Funds (continued)

September 30, 2006

	Special Revenue			
	Hospital Operating	Tourist Development	County Probation	Growth Management
Assets				
Cash	\$ 95,964	\$ 71,723	\$ 1,551	\$ 151,160
Investments	389,878	0	0	0
Receivables (Net of Allowance for Uncollectible):				
Accounts	0	0	0	0
Other	599,250	0	0	0
Due from Other Funds	30	0	0	0
Due from Other Governments	0	3,737	0	0
Total Assets	<u>\$ 1,085,122</u>	<u>\$ 75,460</u>	<u>\$ 1,551</u>	<u>\$ 151,160</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	\$ 92,395	\$ 1,155	\$ 1,551	\$ 4,250
Due to Other Funds	0	0	0	0
Due to Other Governments	0	0	0	1,966
Deferred Revenues	0	0	0	0
Total Liabilities	<u>92,395</u>	<u>1,155</u>	<u>1,551</u>	<u>6,216</u>
Fund Balances				
Restricted for:				
Radio Communications	0	0	0	0
E911 System	0	0	0	0
Police Training	0	0	0	0
Records Modernization	0	0	0	0
Unrestricted	992,727	74,305	0	144,944
Total Fund Balances	<u>992,727</u>	<u>74,305</u>	<u>0</u>	<u>144,944</u>
Total Liabilities and Fund Balances	<u>\$ 1,085,122</u>	<u>\$ 75,460</u>	<u>\$ 1,551</u>	<u>\$ 151,160</u>

Special Revenue				
Choose Life	Small Co. Surtax	Boating Improvement	Rural County Wireless	EMS R5011
\$ 7,369 0	\$ 557,221 0	\$ 100,390 0	\$ 247,401 0	\$ 100,387 0
0	0	0	0	0
0	0	0	0	0
0	0	907	0	0
0	98,681	0	25,917	0
<u>\$ 7,369</u>	<u>\$ 655,902</u>	<u>\$ 101,297</u>	<u>\$ 273,318</u>	<u>\$ 100,387</u>

\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,000
0	0	0	0	0
0	0	0	0	387
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100,387</u>

0	0	0	0	0
0	0	0	273,318	0
0	0	0	0	0
0	0	0	0	0
7,369	655,902	101,297	0	0
<u>7,369</u>	<u>655,902</u>	<u>101,297</u>	<u>273,318</u>	<u>0</u>
<u>\$ 7,369</u>	<u>\$ 655,902</u>	<u>\$ 101,297</u>	<u>\$ 273,318</u>	<u>\$ 100,387</u>

Gadsden County, Florida

Combining Balance Sheet Non-Major Governmental Funds (continued)

September 30, 2006

	Capital Projects		Officer Sheriff Special Revenue
	Capital Projects- SCRAP	Capital Projects- SCOP	
Assets			
Cash	\$ 0	\$ 0	\$ 97,633
Investments	0	0	0
Receivables (Net of Allowance for Uncollectible):			
Accounts	0	0	0
Other	0	0	0
Due from Other Funds	0	0	86,666
Due from Other Governments	0	0	109,731
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 294,030</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 83,201	\$ 55,122	\$ 0
Due to Other Funds	0	0	202,835
Due to Other Governments	0	0	0
Deferred Revenues	0	0	40,713
Total Liabilities	<u>83,201</u>	<u>55,122</u>	<u>243,548</u>
Fund Balances			
Restricted for:			
Radio Communications	0	0	50,482
E911 System	0	0	0
Police Training	0	0	0
Records Modernization	0	0	0
Unrestricted	(83,201)	(55,122)	0
Total Fund Balances	<u>(83,201)</u>	<u>(55,122)</u>	<u>50,482</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 294,030</u>

Special Revenue		Capital Projects		
Debt Service- Library	Debt Service- Public Works	Capital Impr. Hospital	Capital Project- Library	Capital Project- Public Works
\$ 0	\$ (57,219)	\$ 0	\$ (246,616)	\$ 39,000
0	0	0	0	0
0	0	0	0	0
0	0	1,200,000	0	0
0	0	0	246,616	0
97,305	112,631	0	0	0
<u>\$ 97,305</u>	<u>\$ 55,412</u>	<u>\$ 1,200,000</u>	<u>\$ 0</u>	<u>\$ 39,000</u>
\$ 0	\$ 0	\$ 0	\$ 138,845	\$ 0
0	0	0	0	0
0	0	0	0	0
97,305	112,631	0	0	0
<u>97,305</u>	<u>112,631</u>	<u>0</u>	<u>138,845</u>	<u>0</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	(57,219)	1,200,000	(138,845)	39,000
0	(57,219)	1,200,000	(138,845)	39,000
<u>\$ 97,305</u>	<u>\$ 55,412</u>	<u>\$ 1,200,000</u>	<u>\$ 0</u>	<u>\$ 39,000</u>

Gadsden County, Florida

**Combining Balance Sheet
Non-Major Governmental Funds (continued)**

September 30, 2006

	Special Revenue			
	Landfill Closure	Appropriation #1130L/1329L	Workforce	Debt Service- Fire Protection
Assets				
Cash	\$ 8	\$ 28,423	\$ 3,884	\$ 58,046
Investments	0	0	0	0
Receivables (Net of Allowance for Uncollectible):				
Accounts	0	0	0	0
Other	0	0	0	0
Due from Other Funds	0	0	0	0
Due from Other Governments	0	0	0	0
Total Assets	<u>\$ 8</u>	<u>\$ 28,423</u>	<u>\$ 3,884</u>	<u>\$ 58,046</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	0	0	0
Due to Other Governments	0	0	0	0
Deferred Revenues	0	28,423	3,884	0
Total Liabilities	<u>0</u>	<u>28,423</u>	<u>3,884</u>	<u>0</u>
Fund Balances				
Restricted for:				
Radio Communications	0	0	0	0
E911 System	0	0	0	0
Police Training	0	0	0	0
Records Modernization	0	0	0	0
Unrestricted	8	0	0	58,046
Total Fund Balances	<u>8</u>	<u>0</u>	<u>0</u>	<u>58,046</u>
	<u>\$ 8</u>	<u>\$ 28,423</u>	<u>\$ 3,884</u>	<u>\$ 58,046</u>

Officer Clerk of the Circuit Court	Officer Property Appraiser	Officer Tax Collector	Officer Supervisor of Elections	Non-Major Governmental Funds
\$ 437,776 0	\$ 38,871 0	\$ 60,555 0	\$ 29,903 0	\$ 3,643,499 570,352
2,975	0	0	0	22,042
0	0	0	0	1,799,250
8,707	101	3,030	0	474,344
23,197	0	0	0	688,559
<u>\$ 472,655</u>	<u>\$ 38,972</u>	<u>\$ 63,585</u>	<u>\$ 29,903</u>	<u>\$ 7,198,046</u>

\$ 145,982	\$ 0	\$ 491	\$ 29,903	\$ 833,349
197	38,871	62,916	0	346,565
116,260	101	178	0	118,892
1,000	0	0	0	499,600
<u>263,439</u>	<u>38,972</u>	<u>63,585</u>	<u>29,903</u>	<u>1,798,406</u>
0	0	0	0	50,482
0	0	0	0	369,331
0	0	0	0	94,025
209,216	0	0	0	209,216
0	0	0	0	4,676,586
<u>209,216</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,399,640</u>
<u>\$ 472,655</u>	<u>\$ 38,972</u>	<u>\$ 63,585</u>	<u>\$ 29,903</u>	<u>\$ 7,198,046</u>

Gadsden County, Florida

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds**

Year Ended September 30, 2006

	<u>Special Revenue</u>			
	<u>Fines and Forfeitures</u>	<u>Waste Services</u>	<u>Library</u>	<u>E-911</u>
Revenues				
Taxes	\$ 0	\$ 0	\$ 0	\$ 118,974
Licenses and Permits	0	0	0	0
Intergovernmental	212,778	0	627,593	0
Charges for Services	165,687	0	7,779	0
Fines and Forfeitures	25,005	0	0	0
Miscellaneous	0	8,241	56,698	4,196
Total Revenues	<u>403,470</u>	<u>8,241</u>	<u>692,070</u>	<u>123,170</u>
Expenditures				
Current:				
General Government	0	0	0	0
Public Safety	686,070	0	0	44,497
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Human Services	0	0	0	0
Culture and Recreation	0	0	727,930	0
Debt Service:				
Principal Payments	0	0	0	0
Interest	0	0	0	0
Other				
Total Expenditures	<u>(686,070)</u>	<u>0</u>	<u>(727,930)</u>	<u>(44,497)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(282,600)</u>	<u>8,241</u>	<u>(35,860)</u>	<u>78,673</u>
Other Financing Sources (Uses)				
Transfers In	5,739,321	0	386,875	0
Debt Proceeds	0	0	0	0
Transfers Out	(5,463,011)	0	(81,647)	(93,262)
Proceeds from Sale of General Capital Assets	32,347			
Transfer to Florida Department of Revenue	0	0	0	0
Total Other Financing Sources (Uses)	<u>308,657</u>	<u>0</u>	<u>305,228</u>	<u>(93,262)</u>
Net Change in Fund Balances	26,057	8,241	269,368	(14,589)
Fund Balances, Beginning of Year	<u>462,115</u>	<u>172,244</u>	<u>77,022</u>	<u>110,602</u>
Fund Balances, End of Year	<u>\$ 488,172</u>	<u>\$ 180,485</u>	<u>\$ 346,390</u>	<u>\$ 96,013</u>

Special Revenue

Law Library	Fire Assessment	Court Facilities	Hospital	Tourist Development
\$ 0	\$ 1,249,845	\$ 0	\$ 553	\$ 45,197
0	0	0	0	0
0	0	0	0	0
0	0	154,200	0	0
0	0	0	0	0
0	0	0	30,249	0
0	1,249,845	154,200	30,802	45,197
3,407	0	35,549	0	0
0	826,963	0	0	0
0	0	0	0	0
0	0	0	0	13,420
0	0	0	341,295	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
(3,407)	(826,963)	(35,549)	(341,295)	(13,420)
(3,407)	422,882	118,651	(310,493)	31,777
0	0	0	599,250	0
0	0	0	0	0
0	(202,670)	0	0	0
0	0	0	0	0
0	(202,670)	0	599,250	0
(3,407)	220,212	118,651	288,757	31,777
10,933	342,151	127,813	703,970	42,528
\$ 7,526	\$ 562,363	\$ 246,464	\$ 992,727	\$ 74,305

Gadsden County, Florida

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds (continued)**

Year Ended September 30, 2006

	<u>Special Revenue</u>			
	<u>County Probation</u>	<u>Growth Management</u>	<u>Choose Life</u>	<u>Small Co. Surtax</u>
Revenues				
Taxes	\$ 0	\$ 0	\$ 0	\$ 263,578
Licenses and Permits	0	500,962	0	0
Intergovernmental	0	5,000	0	0
Charges for Services	126,149	47,599	0	0
Fines and Forfeitures	0	0	0	0
Miscellaneous	0	50	182	0
Total Revenues	<u>126,149</u>	<u>553,611</u>	<u>182</u>	<u>263,578</u>
Expenditures				
Current:				
General Government	209,779	669,667	0	0
Public Safety	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Human Services	0	0	0	0
Culture and Recreation	0	0	0	0
Debt Service:				
Principal Payments	0	0	0	0
Interest	0	0	0	0
Other	0	0	0	0
Total Expenditures	<u>(209,779)</u>	<u>(669,667)</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(83,630)</u>	<u>(116,056)</u>	<u>182</u>	<u>263,578</u>
Other Financing Sources (Uses)				
Transfers In	83,630	261,000	7,187	392,324
Debt Proceeds	0	0	0	0
Transfers Out	0	0	0	0
Transfer to Florida Department of Revenue	0	0	0	0
Total Other Financing Sources (Uses)	<u>83,630</u>	<u>261,000</u>	<u>7,187</u>	<u>392,324</u>
Net Change in Fund Balances	<u>0</u>	<u>144,944</u>	<u>7,369</u>	<u>655,902</u>
Fund Balances, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 144,944</u>	<u>\$ 7,369</u>	<u>\$ 655,902</u>

Special Revenue

EMS Rural Co. R5011	Rural County Wireless	Boating Improvement	Landfill Closure	Debt Service- Fire
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
		0		
90,000	72,884	0	0	0
0	0	10,805	0	0
0	0	0	0	0
0	24,463	3,861	6	0
<u>90,000</u>	<u>97,347</u>	<u>14,666</u>	<u>6</u>	<u>0</u>
0	0	0	0	0
100,000	0	0	0	0
		0		
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	117,820
0	0	0	0	8,134
0	0	0	0	0
<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(125,954)</u>
<u>(10,000)</u>	<u>97,347</u>	<u>14,666</u>	<u>6</u>	<u>(125,954)</u>
10,000	0	0	0	184,000
0	0	0	0	0
0	(107,132)	0	(153,711)	0
0	0	0	0	0
<u>10,000</u>	<u>(107,132)</u>	<u>0</u>	<u>(153,711)</u>	<u>184,000</u>
0	(9,785)	14,666	(153,705)	58,046
0	283,103	86,631	153,713	0
<u>\$ 0</u>	<u>\$ 273,318</u>	<u>\$ 101,297</u>	<u>\$ 8</u>	<u>\$ 58,046</u>

Gadsden County, Florida

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds (continued)**

Year Ended September 30, 2006

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Debt Service - Library</u>	<u>Debt Service - Public Works</u>	<u>Capital Projects- Hospital</u>	<u>Capital Projects- Library</u>
Revenues				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits				
Intergovernmental	133,245	0	0	0
Charges for Services	0	0	0	0
Fines and Forfeitures	0	0	0	0
Miscellaneous	0	0	0	0
Total Revenues	<u>133,245</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Current:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Transportation				
Economic Environment	0	0	0	0
Human Services	0	0	0	0
Culture and Recreation	0	0	0	420,712
Debt Service:				
Principal Payments	75,500	861,790	0	0
Interest	48,232	355,621	0	0
Other	9,513	8,548	0	4,750
Total Expenditures	<u>(133,245)</u>	<u>(1,225,959)</u>	<u>0</u>	<u>(425,462)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>0</u>	<u>(1,225,959)</u>	<u>0</u>	<u>(425,462)</u>
Other Financing Sources (Uses)				
Transfers In	0	1,168,740	1,200,000	246,617
Debt Proceeds	0	0	0	100,000
Transfers Out	0	0	0	(60,000)
Transfer to Florida Department of Revenue	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,168,740</u>	<u>1,200,000</u>	<u>286,617</u>
Net Change in Fund Balances	0	(57,219)	1,200,000	(138,845)
Fund Balances, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ (57,219)</u>	<u>\$ 1,200,000</u>	<u>\$ (138,845)</u>

Capital Projects				Constitutional Officer Sheriff Special Revenue
Capital Projects- Pub Works	Capital Projects- Quail Roost	Capital Projects- Scrap	Capital Projects- Scop	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0
0	0	0	0	388,498
0	0	0	0	0
19,500	0	0	0	0
19,500	0	0	0	388,498
0	0	0	0	0
0	0	0	0	627,192
	109,399	83,201	55,122	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	(109,399)	(83,201)	(55,122)	(627,192)
19,500	(109,399)	(83,201)	(55,122)	(238,694)
19,500	109,399	0	0	280,414
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
19,500	109,399	0	0	280,414
39,000	0	(83,201)	(55,122)	41,720
0	0	0	0	8,762
\$ 39,000	\$ 0	\$ (83,201)	\$ (55,122)	\$ 50,482



Gadsden County, Florida

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds (continued)**

Year Ended September 30, 2006

	Constitutional Officer Clerk of the Circuit Court	Constitutional Officer Property Appraiser	Constitutional Officer Tax Collector	Constitutional Officer Supervisor of Elections	Total Non-Major Governmental Funds
Revenues					
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,678,147
Licenses and Permits	0	0	0	0	500,962
Intergovernmental	152,471	0	0	0	1,682,469
Charges for Services	1,519,833	1,975	671,744	0	2,705,771
Fines and Forfeitures	0	0	0	0	25,005
Miscellaneous	227,993	19,805	0	0	395,244
Total Revenues	1,900,297	21,780	671,744	0	6,987,598
Expenditures					
Current:					
General Government	2,221,184	700,194	667,570	568,300	5,075,650
Public Safety	0	0	0	0	2,284,722
Transportation	0	0	0	0	247,722
Economic Environment	0	0	0	0	13,420
Human Services	0	0	0	0	341,295
Culture and Recreation	0	0	0	0	1,148,642
Debt Service:					
Principal Payments	0	0	33,054	0	1,088,164
Interest	0	0	0	0	411,987
Other					22,811
Total Expenditures	(2,221,184)	(700,194)	(700,624)	(568,300)	(10,634,413)
Excess of Revenues Over (Under) Expenditures	(320,887)	(678,414)	(28,880)	(568,300)	(3,646,815)
Other Financing Sources (Uses)					
Transfers In	453,557	726,502	0	568,300	12,436,616
Debt Proceeds	0	0	91,796	0	191,796
Transfers Out	(112)	(48,088)	(62,916)	0	(6,272,549)
					32,347
Transfer to Florida Department of Revenue	(111,744)	0	0	0	(111,744)
Total Other Financing Sources (Uses)	341,701	678,414	28,880	568,300	6,276,466
Net Change in Fund Balances	20,814	0	0	0	2,629,651
Fund Balances, Beginning of Year	188,402	0	0	0	2,769,989
Fund Balances, End of Year	\$ 209,216	\$ 0	\$ 0	\$ 0	\$ 5,399,640

Gadsden County, Florida
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds

September 30, 2006

	<u>Agency Funds - Clerk</u>			<u>Agency Funds - Sheriff</u>	
	<u>Trust Funds</u>	<u>Cash Bond</u>	<u>Child Support</u>	<u>Individual Depository</u>	<u>Suspense</u>
Assets					
Cash	\$ 661,516	\$ 181,873	\$ 215	\$ 8,304	\$ 10,578
Accounts Receivable	0	0	0	0	0
Due From Other Funds	85	0	0	0	0
Due from Other Governments	510	0	0	0	0
Total Assets	<u>\$ 662,111</u>	<u>\$ 181,873</u>	<u>\$ 215</u>	<u>\$ 8,304</u>	<u>\$ 10,578</u>
Liabilities					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to Individuals	466	0	215	5,094	9,557
Due to Other Funds	0	0	0	3,210	1,021
Due to Other Governments	5,939	0	0	0	0
Inmate Trust Funds	0	0	0	0	0
Installment Tax Deposits	0	0	0	0	0
Deposits	655,706	181,873	0	0	0
Total Liabilities	<u>\$ 662,111</u>	<u>\$ 181,873</u>	<u>\$ 215</u>	<u>\$ 8,304</u>	<u>\$ 10,578</u>

Agency Funds - Sheriff				Agency Fund Tax Collector	
Inmate Trust	Confiscated Funds	Officers' Special	Cold Case	Tax	Totals
\$ 78,765	\$ 43,645	\$ 0	\$ 28	\$ 276,485	\$ 1,261,409
0	0	0	0	462	462
25,956	0	0	0	0	26,041
0	0	0	0	0	510
<u>\$ 104,721</u>	<u>\$ 43,645</u>	<u>\$ 0</u>	<u>\$ 28</u>	<u>\$ 276,947</u>	<u>\$ 1,288,422</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,138	\$ 25,138
95,513	41,444	0	0	0	152,289
710	2,201	0	28	8,770	15,940
0	0	0	0	39,729	45,668
8,498	0	0	0	0	8,498
0	0	0	0	203,310	203,310
0	0	0	0	0	837,579
<u>\$ 104,721</u>	<u>\$ 43,645</u>	<u>\$ 0</u>	<u>\$ 28</u>	<u>\$ 276,947</u>	<u>\$ 1,288,422</u>



Federal and State Required Reports and Schedules



Gadsden County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2006

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through/ Grantors Number	Expenditures
FEDERAL AWARDS			
U.S. DEPARTMENT OF AGRICULTURE, FOREST SERVICE			
Passed through Florida Department of Agriculture Consumer Affairs			
Volunteer Fire Assistance Grant	10.664	GADSDEN	6,198
U.S. DEPARTMENT OF AGRICULTURE			
Rural Business Enterprise Grant	10.769	MCD04QUI	266,877
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Florida Small Cities Community Development Block Grant-Sewer	14.228	06DB-3K-02-30-01-E08	18,000
Florida Small Cities Community Development Block Grant-Housing	14.228	06DB-3K-02-30-01-H15	26,174
U.S. DEPARTMENT OF JUSTICE			
Passed through State of Florida Department of Juvenile Justice			
Civil Citations Grant	16.523	Q-6024	20,633
Disproportionate Minority Confinement 7/1/05-7/1/06	16.523	Q-6019	51,585
Disproportionate Minority Confinement 7/1/06-7/1/07	16.523	Q-6019	13,110
Passed Through the State of Florida			
Office of the Attorney General:			
Victims of Crime Act 10/1/05-9/30/06	16.575	V-5145	34,173
Passed Through the State of Florida			
Department of Law Enforcement			
Criminal History Record Improvement-Livescan	16.579	06-CJ-5A-02-30-01-274	28,823
Edward Byrne Memorial Justice Assistance Grant 05/0	16.738	06-JAGC-GADS-1-M8-2	85,455
Justice Assistance Grant	16.738	04-CJ-J3-02-30-01-178	78,685
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
Passed Through Florida Department of Transportation			
Speed	20.600	FS-06-27-22 DOT:A0730	50,825
DUI	20.600	J8-06-06-18 DOT:A0756	41,706
U.S. DEPARTMENT OF STATE			
Passed Through Florida Department of State			
Voter Education Fund 04/05	39.011	Appropriation 2888A	2,656
Voter Education Fund 05/06	39.011	Appropriation 2938	6,277
Pollworker Recruitment and Training	39.011	Appropriation 2939	3,740
Voter Systems Assistance Grant	90.401	Appropriation 28711	112,884

Gadsden County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2006

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through/ Grantors Number	Expenditures
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
Passed Through Florida Department of State,			
Division of Library and Information Services			
Enhancing Hispanic Services 05/06	45.310	05-LSTA-E-01	40,000
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through State of Florida Department of			
Community Affairs			
Emergency Management Preparedness Grant	97.042	06BG-04-02-30-01-074	16,077
Direct Program			
Assistance for Firefighters Grant Program	97.044	EMW-2004-FG-06934	849
Assistance for Firefighters Grant Program	97.044	EMW-2005-FG-00626	130,235
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through State of Florida Department of Revenue			
Child Support Enforcement 07/05-06/06	93.563	C0520	12,778
Child Support Reimbursement Payments	93.563	CC320	152,471
FEDERAL DEPARTMENT OF HOMELAND SECURITY-			
OFFICE OF DOMESTIC PREPAREDNESS			
Passed Through State of Florida Department of Community Affairs			
State Homeland Security Grant Program (SHSGP)	97.004	05DS-2N-02-30-01-169	34,288
Total Federal Awards			1,234,499

STATE FINANCIAL ASSISTANCE

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

Small County Solid Waste 05/06	37.012	SC05-09	191,176
Florida Recreation Development Assistance Program	37.017	F6120	3,663
Florida Recreation Development Assistance Program	37.017	F6121	4,492

FLORIDA DEPARTMENT OF STATE

Division of Library and Information Services

State Aid to Libraries 04/05	45.030	05-ST-15	253,386
State Aid to Libraries 05/06	45.030	06-ST-15	355,051
Community Libraries in Caring	45.042	06-CLIC-03	10,000
Reaching Youth With Books	45.310	05-LSTA-E-02	30,000

Gadsden County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2006

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through/ Grantors Number	Expenditures
FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES			
Arthropod Control/Mosquito Control	42.003	Sec. 388 F.S.	37,822
FLORIDA DEPARTMENT OF COMMUNITY AFFAIRS			
Emergency Management Preparedness Grant	52.008	06BG-04-02-30-01-074	102,959
School Concurrency and Local Intergovernmental Coord	52.033	06-DR-73-02-30-01-052	17,769
Growth Management Initiatives	52.033	06-DR-73-02-30-01-053	11,000
FLORIDA HOUSING FINANCE CORPORATION			
State Housing Initiatives Partnership Grant 06/07	52.901	Unknown	37,466
State Housing Initiatives Partnership Grant 05/06	52.901	Unknown	288,073
State Housing Initiatives Partnership Grant 04/05	52.901	Unknown	148,476
State Housing Initiatives Partnership Grant 03/04	52.901	Unknown	9,931
FLORIDA DEPARTMENT OF TRANSPORTATION			
County Incentive Grant Program	55.008	41961815801	148,000
Small County Outreach Program	55.009	AO511	665,150
Public Transportation Joint Participation Agreement	55.012	AN874	58,703
Small County Road Assistance Program	55.016	ANT39	640,354
Small County Road Assistance Program	55.016	AO510	1,180,500
Keep America Beautiful Systems	37.021	Unknown	3,574
Keep America Beautiful Systems	37.021	FDOT-KAB-05-05-06	13,012
FLORIDA DEPARTMENT OF HEALTH			
EMS County Grant 03/04	64.005	C4020	4,871
EMS County Grant 05/06	64.005	C5020	17,960
EMS Rural Matching Grant	64.005	R3012	1,091
EMS Rural Matching Grant	64.005	R5011	90,000
EMS Rural Matching Grant	64.005	R5010	6,254
EMS Rural Matching Grant	64.005	M5060	100,948
FLORIDA DEPARTMENT OF MANAGEMENT SERVICES			
E-911	72.001	Unknown	118,822
Total State Financial Assistance			<u>4,550,503</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 5,785,002</u>

NOTES:

- (1) The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared on the modified accrual basis of accounting.
- (2) There were no loans made or grants to subrecipients.



Law, Redd, Crona & Munroe, P.A.

Certified Public Accountants

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

March 23, 2007

The Honorable Board of County Commissioners
and Constitutional Officers
Gadsden County, Florida

We have audited the financial statements of governmental activities, each major fund and the aggregate remaining fund information of Gadsden County, Florida, as of and for the year ended September 30, 2006, which collectively comprise Gadsden County, Florida's basic financial statements and have issued our report thereon dated March 23, 2007. 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 Gadsden County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Gadsden County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gadsden County, Florida's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the 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 the internal control that might be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Gadsden County, Florida in a separate management letter dated March 23, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gadsden County, Florida'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*.

However, we noted certain matters that we reported to the management of Gadsden County, Florida in a separate letter dated March 23, 2007.

This report is intended solely for the information and use of the Gadsden County Board of County Commissioners, management, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.


Law, Redd, Crona & Munroe, P.A.



Law, Redd, Crona & Munroe, P.A.

Certified Public Accountants

Report on Compliance with Requirements
Applicable to Each Major Federal and State Award Program and on
Internal Control over Compliance in Accordance with
OMB Circular A-133 and Florida Single Audit Act

March 23, 2007

The Honorable Board of County Commissioners
and Constitutional Officers
Gadsden County, Florida

Compliance

We have audited the compliance of Gadsden County, Florida with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the State of Florida, Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal and state programs for the year ended September 30, 2006. Gadsden County, Florida's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Gadsden County, Florida's management. Our responsibility is to express an opinion on Gadsden County, Florida's compliance based on our audit.

We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Florida Single Audit Act*. Those standards, OMB Circular A-133, and the *Florida Single Audit Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Gadsden County, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gadsden County, Florida's compliance with those requirements.

As described in Finding C06-1 and C06-2 in the accompanying schedule of findings and questioned costs, Gadsden County, Florida, did not comply with the requirements regarding period of availability of funds and reporting that are applicable to its Assistance to Firefighters Grant and with the requirements regarding reporting that are applicable to its Rural Business Enterprise Grant. Compliance with such requirements are necessary, in our opinion, for Gadsden County, Florida, to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Gadsden County, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Gadsden County, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Gadsden County, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *Florida Single Audit Act*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Gadsden County Board of County Commissioners, management, Auditor General, State of Florida, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Law, Redd, Crona & Munroe, P.A.

Gadsden County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
For the Year Ended September 30, 2006

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs?	Qualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	Yes

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Programs</u>
		U.S. Department of Agriculture
	10.769	Rural Business Enterprise Grant
		U.S. Department of State
		Passed through Florida Department of State
	90.401	Voter Systems Assistance Grant
		U.S. Department of Health & Human Service
		Passed through State of Florida Department of Revenue
	93.563	Child Support Enforcement 07/05-06/06
		U.S. Department of Homeland Security
	97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II -- Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Section III -- Federal Award Findings and Questioned Costs

C06-1 Period of Availability of Federal Funds and Reporting - Refer to Finding Number C06-1 in Section II. C06-2 Reporting - Refer to Finding Number C06-2 in Section II.

Gadsden County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (Continued)
For the Year Ended September 30, 2006

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Reportable condition(s) identified?	No
Reportable condition(s) identified considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

State Financial Assistance Awards

Internal control over major projects:	
Reportable condition(s) identified?	No
Reportable condition(s) identified considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major projects?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with <i>Rules of the Auditor General</i> , Chapter 10.554(1)(j)(4)?	No
Findings required to be reported in a management letter pursuant to <i>Rules of the Auditor General</i> , Chapter 10.554(1)(g)?	None reported

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Projects</u>
	55.009	Florida Department of Transportation Small County Outreach Program
	55.016	Florida Department of Transportation Small County Road Assistance

Dollar threshold used to distinguish between Type A and Type B projects:	\$397,023
Auditee qualified as low-risk auditee?	No

Section II -- Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Section III -- State Financial Assistance Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with *Rules of the Auditor General*, Chapter 10.554(1)(j)(4).

Gadsden County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (continued)
Year Ended September 30, 2006

PART C – Findings and Questioned Costs – Major Federal Award Programs

C06-1 Period of Availability of Federal Funds and Reporting

Assistance to Firefighters Grant – CFDA # 97.044, Award Number EMW-2005-FG-00626, United States Department of Homeland Security

Requirement

Gadsden County, Florida (the County) is required to comply with the Period of Availability of Federal Funds and Reporting for the above federally funded grant program.

Condition

The period of performance for the grant funding was from August 5, 2005 to August 4, 2006. The County did not properly submit a written request for an extension for the period of performance. Any costs charged to the grant program may be disallowed if the period of availability has expired. Grant funding was for the purchase of a tanker truck. The County made a down-payment in the amount of \$64,472 on May 26, 2006, and a final payment in the amount of \$66,628 on December 15, 2006 upon delivery of the truck. Additionally, the grant agreement required a final financial report due within 90 days after the end of the performance period and a final performance report. Because the County did not properly submit a written request for an extension, reporting was not completed based upon the assumption of an additional period of performance.

Questioned Costs

None through September 30, 2006.

Recommendation

We recommend that the County request extensions for periods of performance in writing to the funding agency for the proper review and approval.

C06-2 Reporting

Rural Business Enterprise Grant – CFDA # 10.769, Award Number MCD04QUI, USDA Rural Development

Requirement

Gadsden County, Florida (the County) is required to comply with certain Reporting requirements for the above federally funded grant program.

Condition

The Letter of Conditions required quarterly Financial Status Reports and Project Performance Activity Reports. Per review of the contractor invoices, construction began in May 2006 and was completed in September 2006. One Quarterly Financial Status Report was not submitted and only one Performance Activity Report (final) was submitted in March 2007.

Questioned Costs

None through September 30, 2006.

Recommendation

We recommend that the County submit the reports required by grantors during the period specified.

**Gadsden County, Florida
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2006**

Financial Statement Findings

FY 2005 Finding B.1 – Segregation of Duties – IT Department

No similar findings were noted in FY 06.

FY 2005 Finding B.2 – Segregation of Duties

No similar findings were noted in FY 06.

FY 2005 Finding B.3 – Accounting System

No similar findings were noted in FY 06.

Federal Programs – None

State Projects – None



Law, Redd, Crona & Munroe, P.A.
Certified Public Accountants

Management Letter

March 23, 2007

The Honorable Board of County Commissioners
and Constitutional Officers
Gadsden County, Florida

We have audited the financial statements of Gadsden County, Florida as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated March 23, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Gadsden County, Florida, for the year ended September 30, 2006, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. However, during our audit we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. In addition, because of inherent limitations in internal control, misstatements due to error or fraud may occur and may not be detected by such controls.

Status of Prior Year Reportable Conditions

Segregation of Duties

During our review, we noted that the Information Technology (IT) department has only one employee. The employee has administrator access to the software, is able to initiate transactions, make changes to master files, and has knowledge of user controls over key files and transactions. Therefore, there is a lack of segregation of incompatible duties among employees. The lack of segregation of duties could result in errors and irregularities that could go undetected for long periods of time. This lack of segregation is typical of small local governments, but nevertheless, presents a potential risk of loss to the County. We recommended that incompatible duties be separated where practicable, with consideration given to hiring another employee for the IT department.

An additional employee was hired for the IT Department, allowing separation of duties where practicable.

Status of Prior Year Recommendations

Road and Bridge Contracts

We recommended that the County competitively bid the resurfacing projects (e.g. advertise the projects in Gadsden and surrounding areas/counties, establish an independent committee to review the bids and make recommendations, etc.). This is particularly important since the County obtained a loan for \$8,850,000 in FY 2005 to be used for road resurfacing and repaving.

Competitive bids were obtained in the current year for on-going resurfacing projects, and Peavey & Sons obtained the contract.

Loan Covenant Compliance

According to the Loan Agreement for the Commercial Paper (line of credit), the Board is required to submit a copy of the budget as soon as it is available or not less than 45 days after the beginning of each fiscal year. We noted during our testing of loan and bond covenants and through discussion with the Finance Director that a copy of the budget for FY 2006 was not submitted. We recommended that the loan covenants be reviewed and documentation be submitted as required in order to remain in compliance with the covenants.

Documentation was not on file to verify that the budget was submitted for FY 2006.

OTHER MATTERS

During our audit, we noted the following matters involving the internal control over financial reporting and other operational matters that are presented for your consideration.

Budgeting

Several grants received by the Sheriff (or received by the Board for the benefit of the Sheriff's Department) were expended without budgetary approval by the Board of County Commissioners, as required by Chapter 30.49, Florida Statutes. Some of these grants renew from year to year and budgets for such grants should be approved by the Board during the initial budget process. Although the Sheriff is responsible for requesting budgetary approval from the Board, we recommend that the Sheriff's Department and the Board's budget office improve coordination of the grant process, so that the Board can consider budget requests in a timely manner.

Financial Reporting

During the conduct of our special audit of the Board's Article V financial report, we found that this report omitted several material expense categories, the omission of which could have a negative impact of the County's funding under Article V. The report was initially prepared by the Budget Office, without consultation with the Finance Department.

We recommend that the Budget Office and the Finance Department coordinate their efforts so that financial information and reports are accurate and reliable.

ADDITIONAL DISCLOSURES

We have issued our independent auditor's report on compliance and on internal control over financial reporting, independent auditor's report on compliance and internal control over compliance applicable to each major federal program and state project, and the schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated March 31, 2006, should be considered in conjunction with this management letter. This management letter applies to Gadsden County, Florida, as a whole. Other management letter comments are described in the audit reports of the Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser, and Supervisor of Elections.

Our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of the local governmental entity audits performed in the State of Florida and require disclosure of certain findings even though they may not materially affect the financial statements; unless they have been previously addressed in the Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

The *Rules of the Auditor General*, Section 10.554(1)(h)1, require that we address in the management letter, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial report. The preceding financial report included findings and recommendations related to segregation of duties and travel advances. There were no violations noted regarding segregation of duties and travel advances.

As required by the *Rules of the Auditor General* Section 10.554(1)(h)2, the scope of our audit included a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we noted no instances of noncompliance with Section 218.415, *Florida Statutes*.

The *Rules of the Auditor General* Section 10.554(1)(h)3 and 4 require disclosure of any recommendations to improve the local governmental entity's financial management, accounting procedures and internal controls and any (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no additional matters required to be disclosed.

The *Rules of the Auditor General* Section 10.554(1)(h)5 also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements.

The name or official title and legal authority for the primary government and each component unit of the reporting entity is disclosed in Note 1 of the Notes to the Financial Statements.

As required by the *Rules of the Auditor General* Section 10.554(1)(h)6(a), the scope of our audit included a review of the provisions of Section 218.503(1), *Florida Statutes*, "Determination of Financial Emergency." In connection with our audit, we determined that Gadsden County, Florida is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), *Florida Statutes*.

Section 218.32 (1)(a), *Florida Statutes* requires the County to file an annual financial report with the Department of Financial Services. The *Rules of the Auditor General* Section 10.554(1)(h)6(b) requires us to determine whether the financial information included in the combined Gadsden County financial report filed with the Department of Financial Services pursuant to Section 218.32, for the fiscal year ended September 30, 2006 is in agreement with the annual financial audit report. The County has 45 days to respond to this management letter and has not filed the annual report as of the date of this letter.

As required by the *Rules of the Auditor General* Section 10.554(1)(h)6(c), we applied financial condition assessment procedures to Gadsden County, Florida as of September 30, 2005, in accordance with *Rules of the Auditor General* 10.556(8). It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Page Five

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.554(1)(h).

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


Law, Redd, Crona & Munroe, P.A.

Nicholas Thomas

Gadsden County, Florida

Clerk of the Circuit Court



Clerk of the County Court

Clerk to the Board of County Commissioners
County Recorder
County Auditor

September 10, 2007

Law, Redd Crona & Monroe, P.A.
2727 Apalachee Parkway
Tallahassee, FL 32301

Dear Sir:

This letter is intended to serve as my response letter to the Independent Audit Report FY Ending September 30, 2006.

I concur with your findings that this office has complied with all recommendations that you made in the Audit Report for FY ending September 30, 2005.

In addition, I acknowledge that there were no management letter comments in the Audit Report for FY ending September 30, 2006.

Sincerely,

Nicholas Thomas



GADSDEN COUNTY

Board of County Commissioners

EDWARD J. BUTLER

GADSDEN COUNTY GOVERNMENTAL COMPLEX

MARLON BROWN
County Manager

THORNTON J. WILLIAMS
County Attorney

COMMISSIONERS:
EUGENE LAMB, JR.
District 1
DOUGLAS M. CROLEY
District 2
DERRICK E. PRICE
District 3
BRENDA A. HOLT
District 4
EDWARD J. DIXON
District 5

2006 USDA Rural Development Community of the Year

July 27, 2007

Mr. Richard H. Law, C.P.A.
Law, Redd, Crona & Munroe, P.A.
2727 Apalachee Parkway
Tallahassee, Florida 32301

Dear Mr. Law:

Thank you for the audit report on the financial statements of Gadsden County for the fiscal year ended September 30, 2006. We are pleased that the audit provides information on conditions that will improve internal controls and bring compliance to Gadsden County Board of County Commissioners (BOCC) business operations.

Further, we are pleased to see that for the Gadsden County BOCC that there were **no reportable conditions** in the audit and that the prior year reportable condition and the recommendation for Road and Bridge contracts have been acknowledged as being remedied. Regarding the prior year recommendation on our Loan Covenant Compliance, the Office of Management and Budget will work closely with the Clerk's Office to ensure submittal of the budget to comply with the covenants.

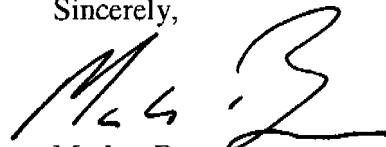
Related to the other matters that you recommended be addressed, the Gadsden County BOCC's staff is committed and will work with the Sheriff's Office to improve their grant approval process and with the Clerk's Office to coordinate preparation of the Board's Article V financial report.



Mr. Richard H. Law
July 27, 2007
Page 2

Again, thank you for the audit report and the Board looks forward to a continued excellent professional working relationship.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Brown', with a stylized flourish at the end.

Marlon Brown
County Manager

cc: Board of County Commissioners
Morris Young, Sheriff
Nicholas Thomas, Clerk of the Court
Department Directors
Connie McClendon, Finance Director

Sheriff

PHONE (850) 627-9233



Morris A. Young

Gadsden County

P.O. BOX 1709

QUINCY, FLORIDA 32353-1709

June 29, 2007

Mr. Richard Law, CPA
Law, Redd, Crona & Munroe
2727 Appalachia Parkway
Tallahassee, Florida 32301

Dear Mr. Law:

We are providing this letter in response to your audit of the financial statements of the Gadsden County Sheriff's Office as of September 30, 2006, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Gadsden County Sheriff's Office and the results of its operations in conformity with the U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position and results of operations for the Gadsden County Sheriff's Office in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting of the Gadsden County Sheriff's Office.
2. We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule, if any, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
8. The Gadsden County Sheriff's Office has no plans or intentions that may materially affect the carrying value or classifications of assets, liabilities, or fund equity.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
 - Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to related parties.
 - Guarantees, whether written or oral, under which the Gadsden County Sheriff's Office is contingently liable.
 - All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
10. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax on debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe had a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

After reviewing the management letter comments regarding the audit performed by your firm for the fiscal year end September 30, 2006, we would like to respond as follows:

The Gadsden County Sheriff's Office main emphasis is the business as a whole which focuses on a proactive approach that not only addresses the issues in the management letter but focuses on additional goals as well.

We continue to work towards an equitable "check and balance" system in both administrative and accounting duties.

The Sheriff's Office fiscal operation staff continues to evaluate and direct a major overhaul of its financial business operations infrastructure. This will greatly impact how the Gadsden County Sheriff's Office conducts business.

Steps that have been implemented thus far:

- Implementation of a new computerized accounting system
- Calendar of due dates established that address timing issues of required reports
- Proper documentation for travel expenses reimbursement (state-approved travel authorization form)
- Budgetary approval from the Board of County Commissioners for contracts and grants directly remitted to the Sheriff's Office.

Below is our response to the areas of concern addressed in the management letter regarding prior and current year findings:

Prior Year Findings

Internal Control Findings

Accounting System

Recommendation:

All accounting transactions are recorded in the computerized accounting system within an appropriate fund type; that the proper use of the system be determined and documented in an accounting policies and procedures manual; and that training is provided to accounting personnel.

Management Response:

Monthly financial statements have been formatted to incorporate all sources of income in the new computerized accounting system. The accounting staff is being trained on the new computerized accounting system. All transactions are recorded. Due to the implementation of a new computerized accounting system in late August 2006, the new accounting policies and procedures are in the stage of being developed. The accounting policies and procedures manual will document the new internal financial system processes and specify the internal control features. These manual will be distributed to the accounting personnel.

Fixed Asset**Recommendation:**

The fixed asset system be updated as assets are received and disposed and that appropriate staff be trained on the use of the fixed asset module so that reports can be obtained from the system. In addition, the policies and procedures related to fixed asset recording, reconciling, tracking and inventorying should be reviewed and updated as necessary. Particular attention should be given to reconciling the fixed asset additions to capital outlay and performing a physical inventory. A physical inventory should be conducted at a minimum of every two years.

Management Response:

The accounting staff is being trained on the new fixed asset module in the new accounting system. Assets will be properly recorded, reconciled, tracked and retired. Policies and procedures for the new fixed assets module are being developed. We have begun to performing a physical inventory of the fixed assets for the Sheriff's Office.

Compliance Findings**Towing and Impound Fees****Recommendation:**

The Sheriff determines if there is legal authority to support the collection of towing and impound fees. In addition, remit the collections of these fees to the Board of County Commissioners law enforcement trust fund in accordance with Florida Statutes.

Management Response:

The Sheriff's office is remitting these fees to the Board of County Commissioners Law Enforcement Trust Fund in accordance with Florida Statute 932.7055(4) (a), upon collection with the exception of a nominal amount held for expenses incurred from towing services by private towing companies.

Miscellaneous Items

Recommendation:

Processes are implemented to ensure that documents are maintained, checks are used in sequence, check numbers in the general ledger are the same as on the face of the checks, abandoned property guidelines are followed, computer backups are maintained off-site and that pay rates are appropriately documented and timesheets properly signed and approved.

Management Response:

The Sheriff's Office is working on the implementation of processes to address the issues that documents are maintained, checks are used in sequence, check numbers in the general ledger are the same as on the face of the checks. All invoices are now matched to the appropriate check number and recorded on the invoice along with the date and general ledger account numbers. This process allows tracking from the general ledger to the source document and visa versa. All check numbers are verified as to sequential order and verified with the general ledger.

Recommendation:

We recommend that the official, authorized payroll rates used to pay the employees match the pay rates documented in the personnel files. In addition, that all timesheets be signed by the employee and the supervisor.

Management Response:

The Personnel Office is addressing the issue of pay rates and timesheet to make sure there is proper documentation for pay rates and all timesheets are signed. Employee records are currently undergoing review to check for applications and current W4 forms. Applications will be maintained in the personnel office in each employee's personnel file. Current W4 forms and documentation supporting changes in approved pay rates will be maintained in each employee file.

Current Year Findings

Compliance Issues

Finding:

A State approved travel authorization form which states that travel is on the official business of the state is not used to support travel expense reimbursement claims, as required by Chapter 112.069(3)(a), Florida Statute.

Recommendation:

Travel authorization forms provided by the Department of Financial Services are utilized to support all travel expenses reimbursement claims. These forms should contain the language and signatures required by Florida Statutes.

Management Response:

State approved travel authorization forms are being used to document travel reimbursement claims and maintained in employees' files as recommended.

Finding:

The Sheriff did not seek or obtain budgetary approval from the Board of County Commissioners for several intergovernmental revenues (grants and contracts) received during the fiscal year, as required by Section 30.49, Florida Statutes. Therefore, the Sheriff over expended his budget, which is a violation of Chapters 30.49(2) and 129, Florida Statutes.

Recommendation:

Management Response:

We acknowledge your recommendation regarding obtaining budgetary approval to include all federal and state grant awards remitted directly to the Sheriff's Office and will take the necessary steps to comply with this finding. The Sheriff will obtain written approval for all inter governmental revenues as required by Section 30.49, Florida Statutes.

Recommendation:

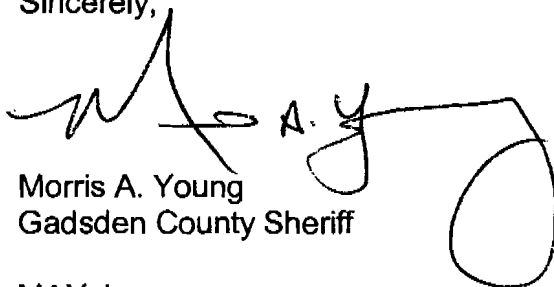
Budget documents and the year-end report are submitted to the Board of County Commissioners within the timeframe established by *Florida Statutes*. These documents should be in the form and contain appropriate disclosures as required by *Florida Statutes*. All amounts received and expended in the General Fund should be included in the Sheriff's budget adopted by the Board of County Commissioners.

Management Response:

All subsequent budget requests made by my office to the Gadsden County Board of Commissioners for expenditures to carry out the powers and duties of my office have been made in the appropriate form pursuant to Florida Statute 30.49. These requests have been done in a manner that should prevent a reoccurrence of over-expenditure. We are also taking measures to ensure that the necessary documents are submitted to the Board of County Commissioners in a timely manner, as required by Florida Statute 30.50(5).

The finance department is working to make a comprehensive improvement to the operations and reporting functions of this department. It is the intention of this administration to establish a financial system that not only has accountability on all levels but also enables planning for future public safety issues as Gadsden County continues to grow. This is a comprehensive effort to becoming proactive instead of reactive with regard to the financial activities of the sheriffs department. We thank you and your staff for the recommendations made in the audit report and we look forward to working with you in the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'MAY' followed by a stylized flourish that ends in a large loop.

Morris A. Young
Gadsden County Sheriff

MAY: kp