

Financial Statements

Gadsden County, Florida

September 30, 2005

With Report of Independent Auditors



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

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

Gadsden County, Florida

September 30, 2005

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REPORT OF INDEPENDENT AUDITORS

March 31, 2006

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, 2005, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2005, and the respective changes in financial position 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 31, 2006, 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 Governmental Accounting Standards Board. 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 (MD&A) is designed to provide an objective and easy to read analysis of the County's financial activities based on currently known facts, decisions or conditions. It is intended to provide a broad overview on the short-term and long-term analysis of the County's activities based on information presented in the financial report and fiscal policies that have been adopted by the County. The MD&A is designed to focus on significant financial issues, provide an overview of the County's financial activity, identify changes in the County's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take the time to read and evaluate all sections of this report, including the footnotes and other supplemental information that is provided.

FINANCIAL HIGHLIGHTS

Government-Wide Statements

At September 30, 2005, County assets exceeded liabilities by \$44.3 million (net assets). Of this amount, only \$4.5 million represents unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors. \$35.6 million was invested in capital assets, net of related debt and accumulated depreciation. The remaining \$4.2 million was restricted by constraints imposed from outside of the County such as debt covenants, grantors, laws or regulations.

The County's total net assets increased \$3,046,780 or 7% as compared with the prior year. At September 30, 2005, the County's unrestricted net assets increased \$1,402,778 or 44.5% as compared with the previous year.

Fund Statements

At September 30, 2005 the County's governmental funds reported combined ending fund balances of \$12.6 million, a decrease of \$1.1 million, in comparison with the \$13.7 million balance as of September 30, 2004.

At September 30, 2005 and 2004, the General Fund unreserved fund balance was \$2.1 million and \$1.3 million, respectively. This is an increase of over \$800,000, which brings total General Fund balance to approximately 19% of General Fund annual expenditures as compared to 11% for the prior year.

USING THIS ANNUAL REPORT

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

The Fund financial statements provide detailed information about the most significant *funds* – not the County as a whole. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a condensed summary of net assets for the primary government for fiscal years 2005 and 2004.

Gadsden County, Florida Summary of Net Assets September 30, 2005 and 2004

	Governmental Activities		Total	
	2005	2004	2005	2004
Current and Other Assets	\$ 13,293,004	\$10,637,320	\$ 13,293,004	\$10,637,320
Capital Assets	46,629,456	45,342,344	46,629,456	45,342,344
Total Assets	59,922,460	55,979,664	59,922,460	55,979,664
Current Liabilities	4,621,991	3,849,663	4,621,991	3,849,663
Non-Current Liabilities	10,933,841	10,810,153	10,933,841	10,810,153
Total Liabilities	15,555,832	14,659,816	15,555,832	14,659,816
Net Assets				
Invested in capital assets, net of related debt	35,667,128	34,609,867	35,667,128	34,609,867
Restricted	4,146,776	3,560,035	4,146,776	3,560,035
Unrestricted	4,552,724	3,149,946	4,552,724	3,149,946
Total Net Assets	\$ 44,366,628	\$41,319,848	\$ 44,366,628	\$41,319,848

By far, the largest portion of the County's net assets (80%) 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 9.3% 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* (\$4.5 million or 10.7%) 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		Total	
	2005	2004	2005	2004
Revenues:				
Program Revenues:				
Charges for Services	\$ 4,795,916	\$ 4,562,185	\$ 4,795,916	\$ 4,562,185
Operating Grants and Contributions	3,314,139	2,723,010	3,314,139	2,723,010
Capital Grants and Contributions	1,359,569	62,498	1,359,569	62,498
Total Program Revenues	9,469,624	7,347,693	9,469,624	7,347,693
General Revenues:				
Property Taxes	9,406,707	8,838,671	9,406,707	8,838,671
Sales Tax and State Shared Revenue	4,376,040	4,192,383	4,376,040	4,192,383
Local Option Taxes	2,732,958	2,368,895	2,732,958	2,368,895
Motor Fuel Tax	2,901,945	2,673,096	2,901,945	2,673,096
Other	1,244,908	1,046,457	1,244,908	1,046,457
Total General Revenues	20,662,558	19,119,502	20,662,558	19,119,502
Total Revenues	30,132,182	26,467,195	30,132,182	26,467,195
Expenses:				
Program Expenses:				
General Government	7,382,821	7,082,199	7,382,821	7,082,199
Public Safety	9,670,670	9,762,204	9,670,670	9,762,204
Physical Environment	1,158,038	1,100,981	1,158,038	1,100,981
Transportation	5,184,163	4,624,202	5,184,163	4,624,202
Economic Environment	738,311	612,302	738,311	612,302
Human Services	1,730,703	1,695,704	1,730,703	1,695,704
Culture/Recreation	808,098	831,033	808,098	831,033
Interest on Long-term Debt	412,598	214,038	412,598	214,038
Total Expenses	27,085,402	25,922,663	27,085,402	25,922,663
Increase in Net Assets	3,046,780	544,532	3,046,780	544,532
Net Assets October 1, 2004	41,319,848	40,775,316	41,319,848	40,775,316
Net Assets September 30, 2005	\$44,366,628	\$41,319,848	\$44,366,628	\$ 41,319,848

Under Program Revenue, Charges for Services were \$4.8 million and represented 16% of governmental activities revenue. Departments that experienced an increase in revenue include building permits up 5%, zoning fees up 12%, library fees up 8% and emergency rescue up 1.6%. Animal control went up 118%, Pat Thomas Park up 8%, public works department up 23% and recycling curbside service up 13%. Overall there was an increase in Charges for Services of \$233,731 or 5%.

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 16% of overall revenue, an increase of 5% from the previous year. This increase is due primarily to road paving capital grants and the new library construction grant.

There were no major changes in overall expenses for the County.

FUND FINANCIAL ANALYSIS

As of the end of fiscal year 2005, the County's governmental funds reported combined ending fund balances of \$12.6 million, a decrease of \$1.1 million in comparison with the prior year. Of the approximately \$12.6 million total fund balance, unreserved fund balance is \$4.7 million and is available for spending at the County's discretion.

Gadsden County, Florida			
Reserved and Unreserved Fund Balance			
	2005	2004	Increase (Decrease)
Total Fund Balance	\$ 12,643,313	\$ 13,714,057	\$ (1,070,744)
Less Reserved Fund Balance:			
Inventories	128,332	125,932	2,400
Prepaid Items	55,103	297,554	(242,451)
Special Revenue Funds	3,032,216	3,057,802	(25,586)
Capital Project Funds	4,720,015	6,675,291	(1,955,276)
Unreserved Fund Balance	\$ 4,707,647	\$ 3,557,478	\$ 1,150,169

The following schedule provides a summary of the changes in General Fund Balance. The General Fund is the chief operating fund of the County.

Gadsden County, Florida			
Reserved and Unreserved General Fund Balance			
	2005	2004	Increase (Decrease)
Total General Fund Balance	\$ 2,247,819	\$ 1,640,841	\$ 606,978
Less Reserved Fund Balance:			
Inventories	64,705	70,450	(5,745)
Prepaid Items	16,063	252,878	(236,815)
Unreserved General Fund Balance	\$ 2,167,051	\$ 1,317,513	\$ 849,538

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues exceeded the original revenue budget by \$175,882. Excess general fund revenue received in comparison to the final amended budget was equal to approximately \$115,042. Actual overall expenditures were approximately \$96,384 less than the final amended budget.

The most significant budget amendments to the original general fund budget during the year were in the general funds Transfers In/Out. The original general fund budget for Transfers Out was \$5,097,289 compared to the final budget amount of \$6,159,969, an increase of \$1,062,680. Actual Transfers Out for the year were slightly lower than the final amended budget by \$286,586.

CAPITAL ASSETS AND DEBT MANAGEMENT

Capital Assets.

The County's investment in capital assets for its governmental activities as of September 30, 2005 amounts to \$42.6 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:

Road paving in the tune of 4.4 million

Construction-in-Progress of the new Quincy library of \$1,446,943

The net increases of dump trucks and heavy equipment in the amount of \$393,045

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		Total	
	2005	2004	2005	2004
Land	\$ 1,458,634	\$ 1,458,634	\$ 1,458,634	\$ 1,458,634
Buildings	12,488,273	12,800,421	12,488,273	12,800,421
Improvements Other than Buildings	833,395	772,247	833,395	772,247
Machinery and Equipment	8,357,637	8,449,294	8,357,637	8,449,294
Construction in Progress	1,448,768	0	1,448,768	0
Infrastructure	18,110,077	15,045,341	18,110,077	15,045,341
Total	\$42,696,784	\$ 38,525,937	\$ 42,696,784	\$ 38,525,937

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 \$213,001 from 2004 to 2005.

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

**Gadsden County, Florida
Outstanding Debt**

	2005	2004	Increase (Decrease)
Revenue Bonds	\$ 8,390,000	\$ 8,850,000	\$ (460,000)
Pooled Commercial Paper	1,140,443	215,000	925,443
Notes and Loans Payable	945,097	1,143,834	(198,737)
Compensated Absences	930,342	953,138	(22,796)
Landfill Post-closure Costs	574,612	605,521	(30,909)
Total	\$11,980,494	\$11,767,493	\$ 213,001

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 is currently set at the statutory maximum level of 10.00 mills. Beyond property tax revenue, which generated approximately \$9.3 million in FY 2005, 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.

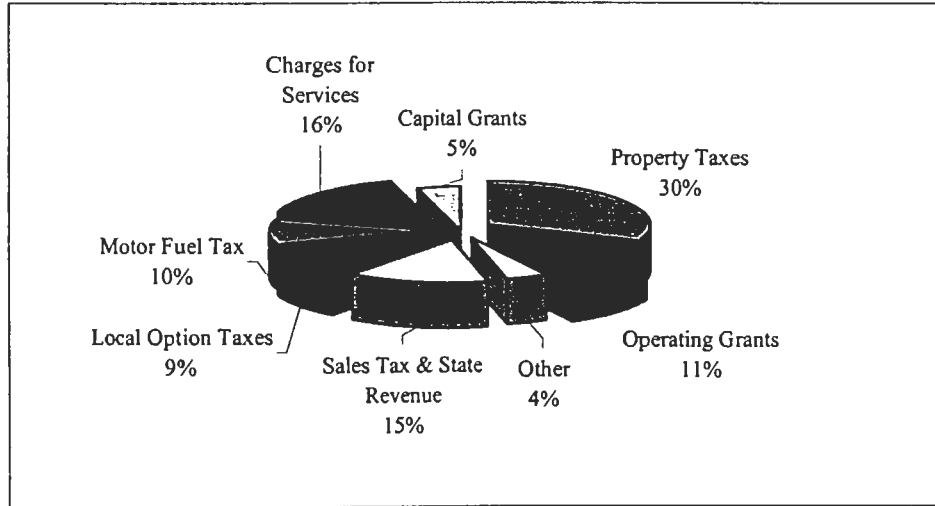
Gadsden County is approximately 516 square miles. The current population of Gadsden County is estimated at approximately 47,600 residents. This figure represents an increase over the 2000 Census estimates of approximately 45,000. Additionally, current estimates illustrate that approximately 65% of these 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. In 2005 unemployment rates were equal to 4.1% in Gadsden County. This is in comparison to 3.3% for the State of Florida and approximately 5% 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.

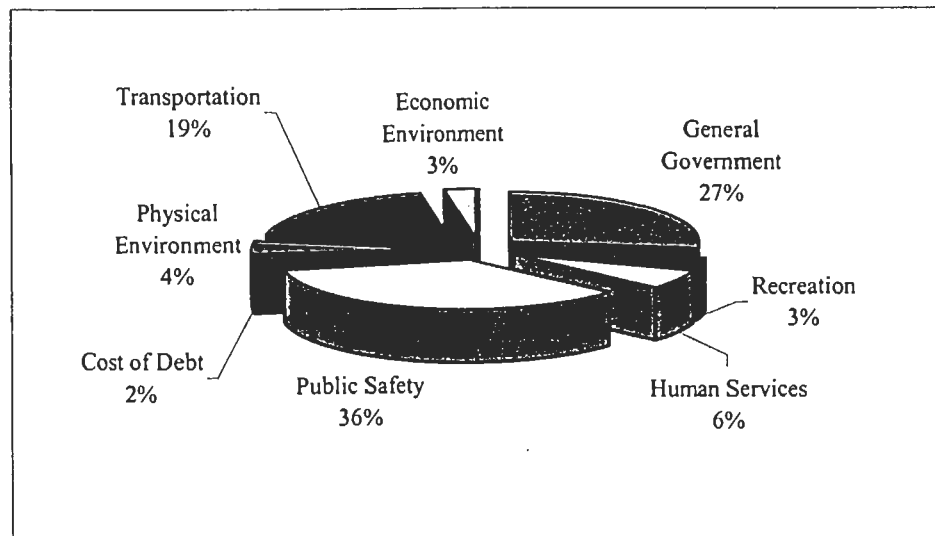
CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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, Florida 32351.

Revenues – Governmental Activities Fiscal Year Ended September 30, 2005



Expenses – Governmental Activities Fiscal Year Ended September 30, 2005



Financial Statements

Gadsden County, Florida
Statement of Net Assets
September 30, 2005

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
Assets		
Current Assets		
Cash	\$ 5,220,612	\$ 5,220,612
Investments	3,036,237	3,036,237
Receivables (Net):		
Accounts	941,710	941,710
Other	109,409	109,409
Due from Agency Funds	25,674	25,674
Due from Other Governments	3,775,389	3,775,389
Prepaid Items	55,641	55,641
Inventories	128,332	128,332
Total Current Assets	<u>13,293,004</u>	<u>13,293,004</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents	3,801,488	3,801,488
Capital Assets		
Non-Depreciable	1,458,634	1,458,634
Depreciable, Net	41,238,150	41,238,150
Unamortized Loan Issuance Costs	131,184	131,184
Total Noncurrent Assets	<u>46,629,456</u>	<u>46,629,456</u>
Total Assets	<u>\$ 59,922,460</u>	<u>\$ 59,922,460</u>
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 2,027,743	\$ 2,027,743
Due to Other Governments	43,679	43,679
Deferred Revenue	1,148,312	1,148,312
Unamortized Premium	26,923	26,923
Installment Notes Payable	954,256	954,256
Accrued Compensated Absences	421,078	421,078
Total Current Liabilities	<u>4,621,991</u>	<u>4,621,991</u>
Noncurrent Liabilities		
Unamortized Premium	328,681	328,681
Accrued Compensated Absences	509,264	509,264
Installment Notes Payable	9,521,284	9,521,284
Estimated Landfill Postclosure Costs	574,612	574,612
Total Noncurrent Liabilities	<u>10,933,841</u>	<u>10,933,841</u>
Total Liabilities	<u>15,555,832</u>	<u>15,555,832</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	35,667,128	35,667,128
Restricted for:		
Transportation	3,195,898	3,195,898
Grants and Other Purposes	950,878	950,878
Unrestricted	4,552,724	4,552,724
Total Net Assets	<u>44,366,628</u>	<u>44,366,628</u>
Total Liabilities and Net Assets	<u>\$ 59,922,460</u>	<u>\$ 59,922,460</u>

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

Gadsden County, Florida
Statement of Activities
Year Ended September 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities						
General Government	\$ 7,382,821	\$ 2,975,907	\$ 199,175	\$ 0	\$ (4,207,739)	\$ (4,207,739)
Public Safety	9,670,670	1,425,568	1,067,464	45,501	(7,132,137)	(7,132,137)
Physical Environment	1,158,038	281,644	264,229	0	(612,165)	(612,165)
Transportation	5,184,163	58,948	43,763	1,294,505	(3,786,947)	(3,786,947)
Economic Environment	738,311	0	540,749	0	(197,562)	(197,562)
Human Services	1,730,703	15,597	363,628	0	(1,351,478)	(1,351,478)
Culture and Recreation	808,098	38,252	835,131	19,563	84,848	84,848
Interest on Long-Term Debt	412,598	0	0	0	(412,598)	(412,598)
Total Governmental Activities	<u>27,085,402</u>	<u>4,795,916</u>	<u>3,314,139</u>	<u>1,359,569</u>	<u>(17,615,778)</u>	<u>(17,615,778)</u>
Total Primary Government	<u>\$ 27,085,402</u>	<u>\$ 4,795,916</u>	<u>\$ 3,314,139</u>	<u>\$ 1,359,569</u>	<u>(17,615,778)</u>	<u>(17,615,778)</u>

General Revenues

Taxes:

Property Taxes	9,406,707	9,406,707
Franchise and Utility Taxes	220,248	220,248
Discretionary Sales Surtax	1,405,282	1,405,282
Local Option Gas Tax	1,327,676	1,327,676
Motor Fuel Tax	2,901,945	2,901,945
Other Taxes	26,091	26,091
Sales Tax and Other Shared Revenues	4,376,040	4,376,040
Investment Earnings	326,212	326,212
Miscellaneous	394,630	394,630
Proceeds from Sale of Assets	276,060	276,060
Transfers	1,667	1,667
Total General Revenues and Transfers	<u>20,662,558</u>	<u>20,662,558</u>
Change in Net Assets	<u>3,046,780</u>	<u>3,046,780</u>
Net Assets, Beginning of Year	<u>41,319,848</u>	<u>41,319,848</u>
Net Assets, End of Year	<u>\$ 44,366,628</u>	<u>\$ 44,366,628</u>

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

Gadsden County, Florida

Balance Sheet Governmental Funds

September 30, 2005

	General Fund	County Transportation Fund No. 1	General Grants Fund	Emergency Medical Services
Assets				
Cash	\$ 1,011,868	\$ 98,139	\$ 949,662	\$ 62,277
Investments	1,194,538	909,575	153,561	0
Receivables (Net of Allowance for Uncollectibles)				
Accounts	50,618	575	161,943	723,269
Other	99,862	0	444	0
Due from Other Funds	144,815	1,281,907	20,109	0
Due from Other Governments	336,538	918,094	2,043,549	25,266
Prepaid Expenses	16,063	0	0	0
Inventories, at Cost	64,705	63,627	0	0
Cash - Loan Proceeds	0	0	0	0
Total Assets	\$ 2,919,007	\$ 3,271,917	\$ 3,329,268	\$ 810,812
Liabilities				
Accounts Payable and Accrued Expenses	\$ 549,071	\$ 545,482	\$ 430,803	\$ 17,503
Due to Other Funds	6,284	0	1,333,733	0
Due to Other Governments	6,313	0	4,689	0
Deferred Revenue	109,520	398,035	874,092	516,030
Total Liabilities	671,188	943,517	2,643,317	533,533
Fund Balances				
Reserved for:				
Anti-Drug Programs	0	0	15,018	0
Transportation	0	2,264,773	0	0
Recycling Program	0	0	46,484	0
E911 System	0	0	283,103	0
Landfill Closure	0	0	0	0
Prepaid Items	16,063	0	0	0
Inventories	64,705	63,627	0	0
Records Modernization	0	0	0	0
Other	0	0	0	0
Unreserved, reported in:				
General Fund	2,167,051	0	0	0
Special Revenue Funds	0	0	341,346	277,279
Total Fund Balances	2,247,819	2,328,400	685,951	277,279
Total Liabilities and Fund Balances	\$ 2,919,007	\$ 3,271,917	\$ 3,329,268	\$ 810,812

Capital Projects Road Resurfacing	Sheriff	Other Governmental Funds	Total Governmental Funds
\$ 918,527	\$ 64,087	\$ 2,116,052	\$ 5,220,612
0	0	778,563	3,036,237
0	0	5,305	941,710
0	0	9,103	109,409
0	362,737	85,566	1,895,134
0	0	451,942	3,775,389
0	0	39,578	55,641
0	0	0	128,332
3,801,488	0	0	3,801,488
<u>\$ 4,720,015</u>	<u>\$ 426,824</u>	<u>\$ 3,486,109</u>	<u>\$ 18,963,952</u>
\$ 0	\$ 331,628	\$ 153,256	\$ 2,027,743
0	75,776	453,667	1,869,460
0	0	32,677	43,679
0	19,420	462,660	2,379,757
<u>0</u>	<u>426,824</u>	<u>1,102,260</u>	<u>6,320,639</u>
0	0	0	15,018
4,720,015	0	0	6,984,788
0	0	0	46,484
0	0	110,602	393,705
0	0	42,103	42,103
0	0	39,040	55,103
0	0	0	128,332
0	0	188,402	188,402
0	0	81,731	81,731
0	0	0	2,167,051
0	0	1,921,971	2,540,596
<u>4,720,015</u>	<u>0</u>	<u>2,383,849</u>	<u>12,643,313</u>
<u>\$ 4,720,015</u>	<u>\$ 426,824</u>	<u>\$ 3,486,109</u>	<u>\$ 18,963,952</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, 2005

Total Fund Balances - Governmental Funds		\$ 12,643,313
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.		42,696,784
Receivables that do not provide current financial resources are reported as deferred revenue in the governmental funds.		1,231,445
Loan issuance costs paid in the current period are not financial resources and, therefore, are not reported as assets in the governmental funds.		131,184
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	\$ (10,475,540)	
Unamortized Premium	(355,604)	
Accrued Compensated Absences	(930,342)	
Estimated Landfill Postclosure Costs	(574,612)	
		<u>(12,336,098)</u>
Net Assets of Governmental Activities		<u>\$ 44,366,628</u>

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

Capital Projects Road Resurfacing	Sheriff	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 968,260	\$ 13,296,601
0	0	0	444,788
0	0	3,226,022	10,949,192
0	0	2,207,207	4,178,806
0	60,327	25,597	94,619
126,197	0	281,195	720,842
<u>126,197</u>	<u>60,327</u>	<u>6,708,281</u>	<u>29,684,848</u>
0	0	3,558,853	7,075,750
0	5,471,126	1,824,749	9,424,317
0	0	434,556	1,122,359
2,081,473	0	0	8,640,715
0	0	21,253	738,166
0	0	118,990	1,686,384
0	0	619,528	2,244,944
0	0	113,953	869,018
0	0	12,001	391,122
0	0	0	11,544
<u>(2,081,473)</u>	<u>(5,471,126)</u>	<u>(6,703,883)</u>	<u>(32,204,319)</u>
<u>(1,955,276)</u>	<u>(5,410,799)</u>	<u>4,398</u>	<u>(2,519,471)</u>
0	5,410,799	5,921,795	11,829,741
0	0	24,387	1,171,000
0	0	0	276,060
0	0	(5,615,719)	(11,796,092)
0	0	(31,982)	(31,982)
0	5,410,799	298,481	1,448,727
(1,955,276)	0	302,879	(1,070,744)
6,675,291	0	2,080,970	13,714,057
<u>\$ 4,720,015</u>	<u>\$ 0</u>	<u>\$ 2,383,849</u>	<u>\$ 12,643,313</u>

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, 2005

	General Fund	County Transportation Fund No. 1	General Grants Fund	Emergency Medical Services
Revenues				
Taxes	\$ 9,625,358	\$ 2,702,983	\$ 0	\$ 0
Licenses and Permits	444,788	0	0	0
Intergovernmental Revenues	1,355,735	2,901,944	3,455,041	10,450
Charges for Services	379,473	31,661	255,356	1,305,109
Fines and Forfeitures	0	0	8,695	0
Miscellaneous Revenues	150,675	55,680	33,872	73,223
Total Revenues	<u>11,956,029</u>	<u>5,692,268</u>	<u>3,752,964</u>	<u>1,388,782</u>
Expenditures				
Current:				
General Government	3,510,438	0	6,459	0
Public Safety	370,312	0	131,621	1,626,509
Physical Environment	234,882	0	452,921	0
Transportation	0	5,211,196	1,348,046	0
Economic Environment	125,726	0	591,187	0
Human Services	1,209,042	0	358,352	0
Culture and Recreation	106,084	0	1,519,332	0
Debt Service:				
Principal	21,500	733,565	0	0
Interest	15,208	363,913	0	0
Other	4,442	7,102	0	0
Total Expenditures	<u>(5,597,634)</u>	<u>(6,315,776)</u>	<u>(4,407,918)</u>	<u>(1,626,509)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>6,358,395</u>	<u>(623,508)</u>	<u>(654,954)</u>	<u>(237,727)</u>
Other Financing Sources (Uses)				
Transfers In	121,966	121,308	77,390	176,483
Debt Proceeds	0	199,670	946,943	0
Proceeds from Sale of				
General Capital Assets	0	276,060	0	0
Transfers Out	(5,873,383)	0	(303,076)	(3,914)
Transfer to Florida				
Department of Revenue	0	0	0	0
Total Other Financing Sources (Uses)	<u>(5,751,417)</u>	<u>597,038</u>	<u>721,257</u>	<u>172,569</u>
Net Change in Fund Balances	606,978	(26,470)	66,303	(65,158)
Fund Balances, Beginning of Year	<u>1,640,841</u>	<u>2,354,870</u>	<u>619,648</u>	<u>342,437</u>
Fund Balances, End of Year	<u>\$ 2,247,819</u>	<u>\$ 2,328,400</u>	<u>\$ 685,951</u>	<u>\$ 277,279</u>

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, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (1,070,744)
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.	4,170,848
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.	935,204
The issuance of long-term debt provides current financial resources to governmental funds, while it has no effect on the statement of activities.	(1,171,000)
Debt issuance costs is an expenditure in the governmental funds; however, it is a deferred cost in the statement of net assets.	(9,932)
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.	22,797
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	<u>142,684</u>
Change in Net Assets - Governmental Activities	<u><u>\$ 3,046,780</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
General Fund**

Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,802,557	\$ 9,863,397	\$ 9,625,358	\$ (238,039)
Licenses and Permits	336,300	336,300	444,788	108,488
Intergovernmental Revenues	1,246,394	1,246,394	1,355,735	109,341
Charges for Services	335,920	335,920	379,473	43,553
Miscellaneous Revenues	58,976	58,976	150,675	91,699
Total Revenues	<u>11,780,147</u>	<u>11,840,987</u>	<u>11,956,029</u>	<u>115,042</u>
Expenditures				
Current:				
General Government	4,585,563	3,607,157	3,510,438	96,719
Public Safety	598,229	386,120	370,312	15,808
Physical Environment	246,363	234,883	234,882	1
Economic Environment	37,573	125,727	125,726	1
Human Services	1,082,153	1,209,046	1,209,042	4
Culture and Recreation	132,977	106,085	106,084	1
Debt Service				
Principal	0	25,000	21,500	3,500
Interest	0	0	15,208	(15,208)
Other	0	0	4,442	(4,442)
Total Expenditures	<u>(6,682,858)</u>	<u>(5,694,018)</u>	<u>(5,597,634)</u>	<u>96,384</u>
Excess of Revenues Over (Under) Expenditures	<u>5,097,289</u>	<u>6,146,969</u>	<u>6,358,395</u>	<u>211,426</u>
Other Financing Sources (Uses)				
Transfers In	0	13,000	121,966	108,966
Transfers Out	(5,097,289)	(6,159,969)	(5,873,383)	286,586
Total Other Financing Sources (Uses)	<u>(5,097,289)</u>	<u>(6,146,969)</u>	<u>(5,751,417)</u>	<u>395,552</u>
Net Change in Fund Balance	0	0	606,978	606,978
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>1,640,841</u>	<u>1,640,841</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,247,819</u>	<u>\$ 2,247,819</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
County Transportation Fund - No. 1**

Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,342,035	\$ 2,342,035	\$ 2,702,983	\$ 360,948
Intergovernmental Revenues	2,582,352	2,582,353	2,901,944	319,591
Charges for Services	18,288	18,288	31,661	13,373
Miscellaneous Revenues	20,425	20,424	55,680	35,256
Total Revenues	<u>4,963,100</u>	<u>4,963,100</u>	<u>5,692,268</u>	<u>729,168</u>
Expenditures				
Current:				
Transportation	5,410,011	5,527,234	5,211,196	316,038
Debt Service				
Principal	1,151,095	1,033,872	733,565	300,307
Interest	0	0	363,913	(363,913)
Other	0	0	7,102	(7,102)
Total Expenditures	<u>(6,561,106)</u>	<u>(6,561,106)</u>	<u>(6,315,776)</u>	<u>245,330</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,598,006)</u>	<u>(1,598,006)</u>	<u>(623,508)</u>	<u>974,498</u>
Other Financing Sources (Uses)				
Transfers In	0	0	121,308	121,308
Debt Proceeds	3,004,000	3,004,000	199,670	(2,804,330)
Proceeds from Sale of General Capital Assets	209,000	209,000	276,060	67,060
Total Other Financing Sources (Uses)	<u>3,213,000</u>	<u>3,213,000</u>	<u>597,038</u>	<u>(2,615,962)</u>
Net Change in Fund Balance	1,614,994	1,614,994	(26,470)	(1,641,464)
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>2,354,870</u>	<u>2,354,870</u>
Fund Balance, End of Year	<u>\$ 1,614,994</u>	<u>\$ 1,614,994</u>	<u>\$ 2,328,400</u>	<u>\$ 713,406</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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenues	\$ 5,454,094	\$ 5,454,094	\$ 3,455,041	\$ (1,999,053)
Charges for Services	74,576	74,576	255,356	180,780
Fines and Forfeitures	0	0	8,695	8,695
Miscellaneous Revenues	77,600	77,600	33,872	(43,728)
Total Revenues	<u>5,606,270</u>	<u>5,606,270</u>	<u>3,752,964</u>	<u>(1,853,306)</u>
Expenditures				
Current:				
General Government	9,114	9,114	6,459	2,655
Public Safety	269,096	269,096	131,621	137,475
Physical Environment	452,962	452,962	452,921	41
Transportation	3,063,585	3,063,585	1,348,046	1,715,539
Economic Environment	753,659	753,659	591,187	162,472
Human Services	418,920	418,920	358,352	60,568
Culture and Recreation	1,971,510	1,971,510	1,519,332	452,178
Total Expenditures	<u>(6,938,846)</u>	<u>(6,938,846)</u>	<u>(4,407,918)</u>	<u>2,530,928</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(1,332,576)</u>	<u>(1,332,576)</u>	<u>(654,954)</u>	<u>677,622</u>
Other Financing Sources (Uses)				
Transfers In	89,676	89,676	77,390	(12,286)
Debt Proceeds	1,400,000	1,400,000	946,943	(453,057)
Transfers Out	(313,037)	(313,037)	(303,076)	9,961
Total Other Financing Sources (Uses)	<u>1,176,639</u>	<u>1,176,639</u>	<u>721,257</u>	<u>(455,382)</u>
Net Change in Fund Balance	(155,937)	(155,937)	66,303	222,240
Fund Balance, Beginning of Year	<u>555,333</u>	<u>555,333</u>	<u>619,648</u>	<u>64,315</u>
Fund Balance, End of Year	<u>\$ 399,396</u>	<u>\$ 399,396</u>	<u>\$ 685,951</u>	<u>\$ 286,555</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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 10,450	\$ 10,450
Charges for Services	1,110,331	1,317,332	1,305,109	(12,223)
Miscellaneous Revenues	19,000	138,030	73,223	(64,807)
Total Revenues	<u>1,129,331</u>	<u>1,455,362</u>	<u>1,388,782</u>	<u>(66,580)</u>
Expenditures				
Current:				
Public Safety	<u>1,651,433</u>	<u>1,698,550</u>	<u>1,626,509</u>	<u>72,041</u>
Excess of Revenues Over (Under) Expenditures	<u>(522,102)</u>	<u>(243,188)</u>	<u>(237,727)</u>	<u>5,461</u>
Other Financing Sources (Uses)				
Transfers In	447,102	172,102	176,483	4,381
Transfers Out	0	(3,914)	(3,914)	0
Total Other Financing Sources (Uses)	<u>447,102</u>	<u>168,188</u>	<u>172,569</u>	<u>4,381</u>
Net Change in Fund Balance	(75,000)	(75,000)	(65,158)	9,842
Fund Balance, Beginning of Year	<u>75,000</u>	<u>75,000</u>	<u>342,437</u>	<u>267,437</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 277,279</u>	<u>\$ 277,279</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous Revenues	\$ 0	\$ 0	\$ 126,197	\$ 126,197
Total Revenues	<u>0</u>	<u>0</u>	<u>126,197</u>	<u>126,197</u>
Expenditures				
Current:				
Transportation	2,081,473	2,081,473	2,081,473	0
Other	0	0	0	0
Total Expenditures	<u>(2,081,473)</u>	<u>(2,081,473)</u>	<u>(2,081,473)</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,081,473)</u>	<u>(2,081,473)</u>	<u>(1,955,276)</u>	<u>126,197</u>
Other Financing Sources (Uses)				
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(2,081,473)	(2,081,473)	(1,955,276)	126,197
Fund Balance, Beginning of Year	<u>2,081,473</u>	<u>2,081,473</u>	<u>6,675,291</u>	<u>4,593,818</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,720,015</u>	<u>\$ 4,720,015</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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 0	\$ 0	\$ 60,327	\$ 60,327
Total Revenues	<u>0</u>	<u>0</u>	<u>60,327</u>	<u>60,327</u>
Expenditures				
Current:				
Public Safety	<u>5,138,084</u>	<u>5,403,084</u>	<u>5,471,126</u>	<u>(68,042)</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,138,084)</u>	<u>(5,403,084)</u>	<u>(5,410,799)</u>	<u>(7,715)</u>
Other Financing Sources (Uses)				
Transfers In	5,153,784	5,418,784	5,410,799	(7,985)
Transfers Out	<u>(15,700)</u>	<u>(15,700)</u>	<u>0</u>	<u>15,700</u>
Total Other Financing Sources (Uses)	<u>5,138,084</u>	<u>5,403,084</u>	<u>5,410,799</u>	<u>7,715</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Gadsden County, Florida

**Statement of Fiduciary Net Assets
Fiduciary Fund**

September 30, 2005

	Private Purpose Trust Fund	Agency Funds	Total
Assets			
Cash	\$ 197,845	\$ 1,256,847	\$ 1,454,692
Investments	12,208,264	0	12,208,264
Accounts Receivable	100,877	1,025	101,902
Due From Other Funds		4,028	4,028
Due from Other Governments	0	480	480
	<u>12,506,986</u>	<u>1,262,380</u>	<u>13,769,366</u>
Total Assets			
Liabilities			
Accounts Payable	0	89,927	89,927
Due to Individuals	0	71,526	71,526
Due to Other Funds	0	29,702	29,702
Due to Other Governments	0	48,116	48,116
Inmate Trust Funds	0	17,298	17,298
Officers' Special Trust Funds	0	59	59
Cold Case Trust Funds	0	28	28
Installment Tax Deposits	0	216,440	216,440
Deposits	0	789,284	789,284
	<u>0</u>	<u>1,262,380</u>	<u>1,262,380</u>
Total Liabilities			
Net Assets			
Held in Trust	<u>\$ 12,506,986</u>	<u>\$ 0</u>	<u>\$ 12,506,986</u>

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

Gadsden County, Florida

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year Ended September 30, 2005

	Private Purpose Trust Fund
Additions	
Investment Earnings:	
Net Appreciation in Fair Value of Investments	\$ 554,784
Interest and Dividends	305,778
Net Investment Earnings	<u>860,562</u>
Total Additions	<u>860,562</u>
Deductions	
Transfers Out	33,649
Administrative Fees	16,048
Total Deductions	<u>(49,697)</u>
Net Increase	810,865
Net Assets Held in Trust, Beginning of Year	<u>11,696,121</u>
Net Assets Held in Trust, End of Year	<u>\$ 12,506,986</u>

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

Gadsden County, Florida
Notes to Financial Statements

September 30, 2005

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, *1947 Laws of Florida*. 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 assets, liabilities, and results of operations of the Hospital are presented in the financial statements of the County as a non-major special revenue fund.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 1. Reporting Entity (continued)

- **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, 2005

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 six 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.
- 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.

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.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 2. Summary of Significant Accounting Policies (continued)

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.

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.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 2. Summary of Significant Accounting Policies (continued)

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; ie, 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, plant, 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 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.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 2. Summary of Significant Accounting Policies (continued)

Property, plant, and equipment 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.

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.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 2. Summary of Significant Accounting Policies (continued)

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.

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.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

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, 2005, 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	4,528,782
Overnight Repurchase Agreement	220,826
Local Government Surplus Funds Trust Fund	<u>4,762,003</u>
Total Cash and Investments	<u>\$9,513,696</u>

Credit Risk

In accordance with *Florida Statutes*, Chapter 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 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.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 3. Cash and Investments (continued)

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 used by the financial institution to pledge against the County's overnight repurchase agreement at September 30, 2005, 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 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.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 3. Cash and Investments (continued)

The County's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2005 were \$7,286,735.

The County's investments in the overnight repurchase agreement are uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the County's name.

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, 2005, the Hospital Endowment Trust Fund had the following balances in cash and investments:

Cash on Hand	<u>Carrying Amount</u> \$ 197,845
Investment at Capital City Trust Company:	
	<u>Fair Value</u>
Cash	341
Cash Equivalents	486,583
U.S. Government Agencies	1,904,810
Corporate Bonds & Notes	99,029
Mutual Funds-Taxable (Fixed)	891,992
Common Stock	6,019,273
Foreign Equities	55,700
Mutual Funds-Taxable (Equity)	497,361
Mutual Funds-Not Classified	<u>527,408</u>
Total Capital City Trust Company	<u>10,482,497</u>
Local Government Surplus Trust Fund	<u>1,725,767</u>
Total Investments	<u>\$12,208,264</u>

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 3. Cash and Investments (continued)

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 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1-5 Years</u>
Corporate Bonds	\$ 1,904,810	\$ 298,048	\$1,606,762
U.S. Government Agencies	99,029	0	99,029
Mutual Funds – Taxable (Fixed)	891,992	0	891,992
Non-Classifiable	<u>7,586,666</u>	<u>7,586,666</u>	<u>0</u>
Total	<u>\$10,482,497</u>	<u>\$7,884,714</u>	<u>\$2,597,783</u>

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 3. Cash and Investments (continued)

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 \$3,801,488 at September 30, 2005.

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, 2005, consist of the following:

	General Fund	County Transp Fund	Emerg Medical Services	General Grants Fund	Other Govern Funds	Total
Receivables						
Other	\$ 99,862	\$ 0	\$ 0	\$444	\$ 9,103	\$ 109,409
Gross Receivables	50,618	575	1,447,032	161,943	5,838	1,666,006
Allowance for Uncollectibles	0	0	(723,763)	0	(533)	(724,296)
Total Receivables	\$150,480	\$575	\$ 723,269	\$162,387	\$14,408	\$1,051,119

Note 5. Interfund Receivables, Payables and Transfers

Interfund balances at September 30, 2005, consisted of the following:

	Due From	Due To
General Fund	\$144,815	\$ 6,284
Special Revenue Funds		
County Transportation Fund No. 1	1,281,907	0
General Grants Fund	20,109	1,333,733
Sheriff	362,737	75,776
Other Governmental Funds	85,566	453,667
Total Special Revenue Funds	1,750,319	1,863,176
Agency Funds	4,028	29,702
Total	\$1,899,162	\$1,899,162

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 5. Interfund Receivables, Payables and Transfers (continued)

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, 2005, consisted of the following:

	Interfund	
	Transfers In	Transfers Out
General Fund	\$ 121,966	\$5,873,383
Special Revenue Funds		
County Transportation Fund No. 1	121,308	0
General Grants Fund	77,390	303,076
Emergency Medical Services	176,483	3,914
Capital Projects – Road Resurfacing	0	0
Sheriff	5,410,799	0
Other Governmental Funds	5,921,795	5,615,719
Total Special Revenue Funds	<u>11,707,775</u>	<u>5,922,709</u>
Fiduciary Funds		
Private Purpose Trust Fund	0	33,649
Total Fiduciary Funds	<u>0</u>	<u>33,649</u>
Total Interfund Transfers	<u>\$11,829,741</u>	<u>\$11,829,741</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, 2005

Note 6. Capital Assets

Capital asset activity for the year ended September 30, 2005, 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	\$ 0	\$ 0	\$ 1,458,634
Construction in Progress	<u>0</u>	<u>1,448,768</u>	<u>0</u>	<u>1,448,768</u>
Total Capital Assets Not Being Depreciated	1,458,634	1,448,768	0	2,907,402
Capital Assets Being Depreciated:				
Buildings	18,188,252	51,589	0	18,239,841
Improvements Other Than Buildings	1,037,635	82,774	0	1,120,409
Machinery and Equipment				
Board and Clerk	13,662,878	1,335,662	(667,631)	14,330,909
Sheriff	<u>2,879,738</u>	<u>51,008</u>	<u>0</u>	<u>2,930,746</u>
Total Machinery and Equipment	16,542,616	1,386,670	(667,631)	17,261,655
Infrastructure	<u>21,039,873</u>	<u>4,413,797</u>	<u>0</u>	<u>25,453,670</u>
Total Capital Assets Being Depreciated	<u>56,808,376</u>	<u>5,934,830</u>	<u>(667,631)</u>	<u>62,075,575</u>
Less Accumulated Depreciation for:				
Buildings	\$ 5,387,831	\$ 363,737	\$ 0	\$ 5,751,568
Improvements Other Than Buildings	265,388	21,625	0	287,013
Machinery and Equipment	8,093,322	1,178,745	(368,048)	8,904,019
Infrastructure	<u>5,994,532</u>	<u>1,349,061</u>	<u>0</u>	<u>7,343,593</u>
Total Accumulated Depreciation	<u>19,741,073</u>	<u>2,913,168</u>	<u>(368,048)</u>	<u>22,286,193</u>
Total Capital Assets Being Depreciated, Net	<u>37,067,303</u>	<u>3,021,662</u>	<u>(299,583)</u>	<u>39,789,382</u>
Total Capital Assets, Net	<u>\$38,525,937</u>	<u>\$ 4,470,430</u>	<u>\$ (299,583)</u>	<u>\$42,696,784</u>

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

General Government	\$ 226,872
Public Safety	562,330
Physical Environment	74,708
Transportation	1,724,621
Economic Environment	1,300
Human Services	287,693
Culture and Recreation	<u>35,644</u>
Total Depreciation Expense – Governmental Activities	<u>\$2,913,168</u>

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

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, 2005:

	<u>Balance 10/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/05</u>	<u>Due Within One Year</u>
Estimated landfill postclosure costs.	\$605,521	\$ 0	\$ (30,909)	\$574,612	\$ 0
Employee compensated absences payable.	953,138	871,374	(894,170)	930,342	421,078
Installment purchase, Municipal Services Group, due in four annual installments of \$45,545, commencing in December 2000, including interest at 5.43%, secured by two dump trucks.	43,199	0	(43,199)	0	0
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.	353,593	0	(113,953)	239,640	117,821
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.	391,182	0	(125,748)	265,434	130,338
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.	214,502	0	(51,419)	163,083	52,832
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.	0	124,670	0	124,670	29,503

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 7. Long-Term Debt (continued)

	<u>Balance 10/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/05</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.	\$ 0	\$75,000	\$ 0	\$75,000	\$24,141
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.	39,107	0	(17,179)	21,928	18,418
Vehicle purchase, payable in 60 monthly installments of \$567, including interest at 4.0%, commencing December 2003.	26,075	0	(5,868)	20,207	6,107
Installment purchase, Capital City Bank, due in four annual installments of \$56,196, commencing in January 2001, including interest at 5.38%, secured by compactor and water tanker.	53,255	0	(53,255)	0	0
Vehicle purchase, payable in 60 installments of \$499, commencing in December 2003, including interest at 4.0%.	22,921	0	(5,158)	17,763	5,369
Vehicle purchase payable in 48 monthly payments of \$498, commencing October 2005, including interest at 6.5%.	0	24,387	(7,015)	17,372	1,005
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.	215,000	0	(21,500)	193,500	21,500

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 7. Long-Term Debt (continued)

	<u>Balance 10/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/05</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 \$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.	\$ 0	\$946,943	\$ 0	\$946,943	\$54,000
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.	8,850,000	0	(460,000)	8,390,000	490,000
	<u>\$11,767,493</u>	<u>\$2,042,374</u>	<u>\$(1,829,373)</u>	<u>\$11,980,494</u>	<u>\$1,372,112</u>

Interest expense during 2005 on long-term debt totaled \$412,598, none of which was capitalized.

Maturities of Long-Term Debt

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,375,334	\$ 384,849
2007	962,368	358,925
2008	716,250	332,991
2009	741,722	313,873
2010	1,265,943	286,036
2011-2015	2,935,000	1,039,047
2016-2019	2,900,000	390,338
Other Years (Including Compensated Absences after One Year and Estimated Landfill Postclosure Costs)	1,083,877	0
Total	<u>\$ 11,980,494</u>	<u>\$ 3,106,059</u>

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 7. Long-Term Debt (continued)

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, 2005 were \$355,604 and \$131,184, respectively.

Line of Credit

The unused amount of the line of credit as of September 30, 2005 was \$484,557.

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, 2005, 2004 and 2003 were \$1,119,505, \$1,093,298 and \$978,247, respectively, which is equal to 100% of the required contribution for each year. The rates for 2005 and 2004 fiscal years were as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2004	July 1, 2005
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.	7.39%	7.83%
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.	9.37%	10.45%

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 8. Defined Benefit Pension Plan (continued)

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2004	July 1, 2005
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%	18.53%
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%	15.23%
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.	9.11%	9.33%

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.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

Note 10. Subsequent Event

Subsequent to the year ended September 30, 2005, an event happened that may cause changes in the Fiduciary Fund for the Gadsden County Hospital. On November 4, 2005, the Agency for Health Care Administration (AHCA) 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 the 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. 04-2349-000 and the federal match portion of the Medicaid rate audit to be repaid monthly over a twenty-four month installment plan.

\$1,190,145.60 payable to the Agency for Health Care for Public Medical Assistance Trust Fund (PMATF). This amount shall be satisfied through cash or improvement credits within eighteen months after the new license has been issued.

\$342,768.00 owed to AHCA for PMATF assessments to be paid upon issuance of the Change Operations.

\$300,000.00 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.

Gadsden County, Florida

Notes to Financial Statements

September 30, 2005

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, 2005, 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.

Construction Commitments

The following is a summary of major commitments of the County and contracts in progress as of September 30, 2005:

<u>Project</u>	<u>Fund</u>	<u>Contract Amount</u>	<u>Expended as of 9/30/05</u>
Gadsden County Public Library	Culture/Recreation	\$ 1,875,000	\$ 1,269,258
Road Resurfacing	General Grants	<u>18,350,057</u>	<u>16,442,836</u>
		<u>\$ 20,225,057</u>	<u>\$ 17,712,094</u>

Accompanying Information

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

September 30, 2005

	<u>Special Revenue</u>			
	<u>Fines and Forfeitures</u>	<u>Landfill and Arthropod</u>	<u>Waste Services</u>	<u>Library</u>
Assets				
Cash	\$ 503,147	\$ 84,638	\$ 807	\$ 339,018
Investments	0	43,255	172,233	0
Receivables (Net of Allowance for Uncollectible):				
Accounts	2,713	0	(433)	50
Other	0	0	0	0
Due from Other Funds	10,171	0	0	0
Due from Other Governments	347,288	9,462	0	1,500
Prepaid Expenses	39,040	0	0	0
Total Assets	<u>\$ 902,359</u>	<u>\$ 137,355</u>	<u>\$ 172,607</u>	<u>\$ 340,568</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	\$ 0	\$ 19	\$ 363	\$ 10,145
Due to Other Funds	232,015	0	0	0
Due to Other Governments	370	29	0	0
Deferred Revenues	207,859	0	0	253,401
Total Liabilities	<u>440,244</u>	<u>48</u>	<u>363</u>	<u>263,546</u>
Fund Balances				
Restricted for:				
Radio Communications	0	0	0	0
E911 System	0	0	0	0
Police Training	72,969	0	0	0
Landfill Closure	0	42,103	0	0
Prepaid Items	39,040	0	0	0
Records Modernization	0	0	0	0
Unrestricted	350,106	95,204	172,244	77,022
Total Fund Balances	<u>462,115</u>	<u>137,307</u>	<u>172,244</u>	<u>77,022</u>
Total Liabilities and Fund Balances	<u>\$ 902,359</u>	<u>\$ 137,355</u>	<u>\$ 172,607</u>	<u>\$ 340,568</u>

Special Revenue

<u>E-911</u>	<u>Law Library</u>	<u>Fire Assessment</u>	<u>Court Facilities</u>
\$ 116,237	\$ 11,102	\$ 433,690	\$ 127,813
0	0	0	0
0	0	0	0
9,103	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>\$ 125,340</u>	<u>\$ 11,102</u>	<u>\$ 433,690</u>	<u>\$ 127,813</u>
\$ 1,057	\$ 169	\$ 91,539	\$ 0
13,681	0	0	0
0	0	0	0
0	0	0	0
<u>14,738</u>	<u>169</u>	<u>91,539</u>	<u>0</u>
0	0	0	0
110,602	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	10,933	342,151	127,813
<u>110,602</u>	<u>10,933</u>	<u>342,151</u>	<u>127,813</u>
<u>\$ 125,340</u>	<u>\$ 11,102</u>	<u>\$ 433,690</u>	<u>\$ 127,813</u>

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

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

September 30, 2005

	Special Revenue		
	Hospital	Tourist Development	Constitutional Officer Sheriff Special Revenue
Assets			
Cash	\$ 144,180	\$ 41,587	\$ 8,762
Investments	563,075	0	0
Receivables (Net of Allowance for Uncollectible):			
Accounts	0	0	0
Other	0	0	0
Due from Other Funds	424	0	65,507
Due from Other Governments	0	969	65,215
Prepaid Expenses	0	0	0
Total Assets	\$ 707,679	\$ 42,556	\$ 139,484
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 3,709	\$ 28	\$ 0
Due to Other Funds	0	0	130,722
Due to Other Governments	0	0	0
Deferred Revenues	0	0	0
Total Liabilities	3,709	28	130,722
Fund Balances			
Restricted for:			
Radio Communications	0	0	8,762
E911 System	0	0	0
Police Training	0	0	0
Landfill Closure	0	0	0
Prepaid Items	0	0	0
Records Modernization	0	0	0
Unrestricted	703,970	42,528	0
Total Fund Balances	703,970	42,528	8,762
Total Liabilities and Fund Balances	\$ 707,679	\$ 42,556	\$ 139,484

Special Revenue				
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
\$ 230,396	\$ 0	\$ 74,675	\$ 0	\$ 2,116,052
0	0	0	0	778,563
2,975	0	0	0	5,305
0	0	0	0	9,103
6,053	86	3,325	0	85,566
27,370	0	138	0	451,942
538	0	0	0	39,578
<u>\$ 267,332</u>	<u>\$ 86</u>	<u>\$ 78,138</u>	<u>\$ 0</u>	<u>\$ 3,486,109</u>
\$ 45,280	\$ 0	\$ 947	\$ 0	\$ 153,256
268	0	76,981	0	453,667
31,982	86	210	0	32,677
1,400	0	0	0	462,660
<u>78,930</u>	<u>86</u>	<u>78,138</u>	<u>0</u>	<u>1,102,260</u>
0	0	0	0	8,762
0	0	0	0	110,602
0	0	0	0	72,969
0	0	0	0	42,103
0	0	0	0	39,040
188,402	0	0	0	188,402
0	0	0	0	1,921,971
<u>188,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,383,849</u>
<u>\$ 267,332</u>	<u>\$ 86</u>	<u>\$ 78,138</u>	<u>\$ 0</u>	<u>\$ 3,486,109</u>

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

Gadsden County, Florida

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

Year Ended September 30, 2005

	Special Revenue		
	Fines and Forfeitures	Landfill and Anthropod	Waste Services
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	2,562,117	46,487	0
Charges for Services	65,717	46,750	0
Fines and Forfeitures	25,597	0	0
Miscellaneous	35,329	1,152	4,223
Total Revenues	<u>2,688,760</u>	<u>94,389</u>	<u>4,223</u>
Expenditures			
Current:			
General Government	0	0	0
Public Safety	679,210	0	0
Physical Environment	0	434,556	0
Economic Environment	0	0	0
Human Services	0	0	0
Culture and Recreation	0	0	0
Debt Service:			
Principal Payments	0	0	0
Interest	0	0	0
Total Expenditures	<u>(679,210)</u>	<u>(434,556)</u>	<u>0</u>
Excess of Revenues Over (Under)			
Expenditures	<u>2,009,550</u>	<u>(340,167)</u>	<u>4,223</u>
Other Financing Sources (Uses)			
Transfers In	3,381,274	390,892	0
Debt Proceeds	0	0	0
Transfers Out	(5,385,799)	0	0
Transfer to Florida Department of Revenue	0	0	0
Total Other Financing Sources (Uses)	<u>(2,004,525)</u>	<u>390,892</u>	<u>0</u>
Net Change in Fund Balances	5,025	50,725	4,223
Fund Balances, Beginning of Year	<u>457,090</u>	<u>86,582</u>	<u>168,021</u>
Fund Balances, End of Year	<u>\$ 462,115</u>	<u>\$ 137,307</u>	<u>\$ 172,244</u>

Special Revenue

<u>Library</u>	<u>E-911</u>	<u>Law Library</u>	<u>Fire Assessment</u>	<u>Court Facilities</u>
\$ 0	\$ 118,572	\$ 0	\$ 822,000	\$ 0
253,016	0	0	0	0
8,115	0	0	0	116,583
0	0	0	0	0
10,836	2,339	0	0	0
<u>271,967</u>	<u>120,911</u>	<u>0</u>	<u>822,000</u>	<u>116,583</u>
0	0	3,441	0	0
0	22,974	0	618,448	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
619,528	0	0	0	0
0	0	0	113,953	0
0	0	0	12,001	0
<u>(619,528)</u>	<u>(22,974)</u>	<u>(3,441)</u>	<u>(744,402)</u>	<u>0</u>
<u>(347,561)</u>	<u>97,937</u>	<u>(3,441)</u>	<u>77,598</u>	<u>116,583</u>
316,581	0	3,441	0	0
0	0	0	0	0
0	(80,410)	0	(4,382)	0
0	0	0	0	0
<u>316,581</u>	<u>(80,410)</u>	<u>3,441</u>	<u>(4,382)</u>	<u>0</u>
(30,980)	17,527	0	73,216	116,583
<u>108,002</u>	<u>93,075</u>	<u>10,933</u>	<u>268,935</u>	<u>11,230</u>
<u>\$ 77,022</u>	<u>\$ 110,602</u>	<u>\$ 10,933</u>	<u>\$ 342,151</u>	<u>\$ 127,813</u>

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

Gadsden County, Florida

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

Year Ended September 30, 2005

	Special Revenue			
	Hospital	Tourist Development	Constitutional Officer Sheriff Special Revenue	Constitutional Officer Clerk of the Circuit Court
Revenues				
Taxes	\$ 1,597	\$ 26,091	\$ 0	\$ 0
Intergovernmental	0	0	238,910	125,492
Charges for Services	0	0	0	1,327,257
Fines and Forfeitures	0	0	0	0
Miscellaneous	141,325	0	0	81,373
Total Revenues	<u>142,922</u>	<u>26,091</u>	<u>238,910</u>	<u>1,534,122</u>
Expenditures				
Current:				
General Government	0	0	0	1,979,415
Public Safety	0	0	504,117	0
Physical Environment	0	0	0	0
Economic Environment	0	21,253	0	0
Human Services	118,990	0	0	0
Culture and Recreation	0	0	0	0
Debt Service:				
Principal Payments	0	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>(118,990)</u>	<u>(21,253)</u>	<u>(504,117)</u>	<u>(1,979,415)</u>
Excess of Revenues Over (Under) Expenditures	<u>23,932</u>	<u>4,838</u>	<u>(265,207)</u>	<u>(445,293)</u>
Other Financing Sources (Uses)				
Transfers In	33,649	0	247,308	533,097
Debt Proceeds	0	0	0	0
Transfers Out	(33,649)	0	0	(133)
Transfer to Florida Department of Revenue	0	0	0	(31,982)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>247,308</u>	<u>500,982</u>
Net Change in Fund Balances	<u>23,932</u>	<u>4,838</u>	<u>(17,899)</u>	<u>55,689</u>
Fund Balances, Beginning of Year	<u>680,038</u>	<u>37,690</u>	<u>26,661</u>	<u>132,713</u>
Fund Balances, End of Year	<u>\$ 703,970</u>	<u>\$ 42,528</u>	<u>\$ 8,762</u>	<u>\$ 188,402</u>

Special Revenue			
Constitutional Officer Property Appraiser	Constitutional Officer Tax Collector	Constitutional Officer Supervisor of Elections	Total Non-Major Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 968,260
0	0	0	3,226,022
2,133	640,652	0	2,207,207
0	0	0	25,597
4,618	0	0	281,195
<u>6,751</u>	<u>640,652</u>	<u>0</u>	<u>6,708,281</u>
657,295	563,671	355,031	3,558,853
0	0	0	1,824,749
0	0	0	434,556
0	0	0	21,253
0	0	0	118,990
0	0	0	619,528
0	0	0	113,953
0	0	0	12,001
<u>(657,295)</u>	<u>(563,671)</u>	<u>(355,031)</u>	<u>(6,703,883)</u>
<u>(650,544)</u>	<u>76,981</u>	<u>(355,031)</u>	<u>4,398</u>
660,522	0	355,031	5,921,795
24,387	0	0	24,387
(34,365)	(76,981)	0	(5,615,719)
0	0	0	(31,982)
<u>650,544</u>	<u>(76,981)</u>	<u>355,031</u>	<u>298,481</u>
0	0	0	302,879
0	0	0	2,080,970
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,383,849</u>

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

Gadsden County, Florida

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds

September 30, 2005

	Agency Funds - Clerk			Agency Funds - Sheriff	
	Trust Funds	Cash Bond	Child Support	Individual Depository	Suspense
Assets					
Cash	\$ 657,952	\$ 148,455	\$ 2,135	\$ 11,352	\$ 10,420
Accounts Receivable	0	0	615	0	0
Due From Other Funds	4,028	0	0	0	0
Due from Other Governments	260	0	0	0	0
Total Assets	<u>\$ 662,240</u>	<u>\$ 148,455</u>	<u>\$ 2,750</u>	<u>\$ 11,352</u>	<u>\$ 10,420</u>
Liabilities					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to Individuals	6,023	0	5	4,542	10,420
Due to Other Funds	14,007	27	2,555	6,810	0
Due to Other Governments	1,354	0	190	0	0
Inmate Trust Funds	0	0	0	0	0
Officers' Special Trust Funds	0	0	0	0	0
Cold Case Trust Funds	0	0	0	0	0
Installment Tax Deposits	0	0	0	0	0
Deposits	640,856	148,428	0	0	0
Total Liabilities	<u>\$ 662,240</u>	<u>\$ 148,455</u>	<u>\$ 2,750</u>	<u>\$ 11,352</u>	<u>\$ 10,420</u>

Agency Funds - Sheriff				Agency Fund	
Inmate Trust	Confiscated Funds	Officers' Special	Cold Case	Tax Collector	Totals
\$ 67,134	\$ 700	\$ 59	\$ 28	\$ 358,612	\$ 1,256,847
0	0	0	0	410	1,025
0	0	0	0	0	4,028
0	0	0	0	220	480
<u>\$ 67,134</u>	<u>\$ 700</u>	<u>\$ 59</u>	<u>\$ 28</u>	<u>\$ 359,242</u>	<u>\$ 1,262,380</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,927	\$ 89,927
49,836	700	0	0	0	71,526
0	0	0	0	6,303	29,702
0	0	0	0	46,572	48,116
17,298	0	0	0	0	17,298
0	0	59	0	0	59
0	0	0	28	0	28
0	0	0	0	216,440	216,440
0	0	0	0	0	789,284
<u>\$ 67,134</u>	<u>\$ 700</u>	<u>\$ 59</u>	<u>\$ 28</u>	<u>\$ 359,242</u>	<u>\$ 1,262,380</u>

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

Gadsden County, Florida

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds**

September 30, 2005

	<u>Balance 10/01/04</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance 9/30/05</u>
<u>TRUST FUND</u>				
Assets				
Cash	\$ 120,393	\$ 6,015,439	\$ (5,477,880)	\$ 657,952
Due from Other Funds	0	4,028	0	4,028
Due from Other Governments	190	1,718	(1,648)	260
Total Assets	<u>\$ 120,583</u>	<u>\$ 6,021,185</u>	<u>\$ (5,479,528)</u>	<u>\$ 662,240</u>
Liabilities				
Due to Individuals	\$ 3,808	\$ 51,710	\$ (49,495)	\$ 6,023
Due to Other Funds	6,201	1,796,196	(1,788,390)	14,007
Due to Other Governments	28,204	3,096,184	(3,123,034)	1,354
Deposits	82,370	1,082,676	(524,190)	640,856
Total Liabilities	<u>\$ 120,583</u>	<u>\$ 6,026,766</u>	<u>\$ (5,485,109)</u>	<u>\$ 662,240</u>
<u>CASH BOND</u>				
Assets				
Cash	<u>\$ 143,940</u>	<u>\$ 182,840</u>	<u>\$ (178,325)</u>	<u>\$ 148,455</u>
Liabilities				
Due to Other Funds	\$ 42	\$ 53,876	\$ (53,891)	\$ 27
Due to Other Governments	0	5,054	(5,054)	0
Deposits	143,898	124,034	(119,504)	148,428
Total Liabilities	<u>\$ 143,940</u>	<u>\$ 182,964</u>	<u>\$ (178,449)</u>	<u>\$ 148,455</u>
<u>CHILD SUPPORT</u>				
Assets				
Cash	\$ 7,925	\$ 649,944	\$ (655,734)	\$ 2,135
Accounts Receivable	165	583	(133)	615
Total Assets	<u>\$ 8,090</u>	<u>\$ 650,527</u>	<u>\$ (655,867)</u>	<u>\$ 2,750</u>
Liabilities				
Due to Individuals	\$ 1,067	\$ 643,044	\$ (644,106)	\$ 5
Due to Other Funds	7,023	8,887	(13,355)	2,555
Due to Other Governments	0	1,958	(1,768)	190
Total Liabilities	<u>\$ 8,090</u>	<u>\$ 653,889</u>	<u>\$ (659,229)</u>	<u>\$ 2,750</u>

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

Gadsden County, Florida

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)

September 30, 2005

	Balance 10/01/04	Additions	(Deductions)	Balance 9/30/05
<u>INDIVIDUAL DEPOSITORY</u>				
Assets				
Cash	\$ 4,828	\$ 47,767	\$ (41,243)	\$ 11,352
Liabilities				
Due to Individuals	\$ 4,828	\$ 40,957	\$ (41,243)	\$ 4,542
Due to Other Funds	0	6,810	0	6,810
Total Liabilities	\$ 4,828	\$ 47,767	\$ (41,243)	\$ 11,352
<u>SUSPENSE</u>				
Assets				
Cash	\$ 7,643	\$ 28,066	\$ (25,289)	\$ 10,420
Liabilities				
Due to Individuals	\$ 2,422	\$ 28,066	\$ (20,068)	\$ 10,420
Due to Other Funds	5,221	0	(5,221)	0
Total Liabilities	\$ 7,643	\$ 28,066	\$ (25,289)	\$ 10,420
<u>INMATE TRUSTS</u>				
Assets				
Cash	\$ 69,140	\$ 330,219	\$ (332,225)	\$ 67,134
Liabilities				
Due to Individuals	\$ 31,960	\$ 205,336	\$ (187,460)	\$ 49,836
Inmate Trust Funds	37,180	124,883	(144,765)	17,298
Total Liabilities	\$ 69,140	\$ 330,219	\$ (332,225)	\$ 67,134
<u>CONFISCATED FUNDS</u>				
Assets				
Cash	\$ 25,322	\$ 18,400	\$ (43,022)	\$ 700
Liabilities				
Due to Individuals	\$ 25,322	\$ 18,400	\$ (43,022)	\$ 700
<u>OFFICERS' SPECIAL</u>				
Assets				
Cash	\$ 1,560	\$ 6,046	\$ (7,547)	\$ 59
Liabilities				
Officers' Special Trust Funds	\$ 1,560	\$ 6,046	\$ (7,547)	\$ 59

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

Gadsden County, Florida

**Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)**

September 30, 2005

	<u>Balance 10/01/04</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance 9/30/05</u>
<u>COLD CASE</u>				
Assets				
Cash	\$ 0	\$ 205	\$ (177)	\$ 28
Liabilities				
Cold Case Trust Funds	\$ 0	\$ 205	\$ (177)	\$ 28
<u>TAX</u>				
Assets				
Cash	\$ 295,415	\$ 23,591,854	\$ (23,528,657)	\$ 358,612
Accounts Receivable	0	162,022	(161,612)	410
Due From Other Governments	0	220	0	220
Total Assets	\$ 295,415	\$ 23,754,096	\$ (23,690,269)	\$ 359,242
Liabilities				
Accounts Payable	\$ 34,533	\$ 152,466	\$ (97,072)	\$ 89,927
Due to Other Funds	11,013	10,640,422	(10,645,132)	6,303
Due to Other Governments	93,488	12,284,753	(12,331,669)	46,572
Installment Tax Deposits	156,381	414,388	(354,329)	216,440
Total Liabilities	\$ 295,415	\$ 23,492,029	\$ (23,428,202)	\$ 359,242
<u>COMBINED TOTALS</u>				
Assets				
Cash	\$ 676,166	\$ 30,870,780	\$ (30,290,099)	\$ 1,256,847
Accounts Receivable	165	162,605	(161,745)	1,025
Due from Other Funds	0	4,028	0	4,028
Due from Other Governments	190	1,938	(1,648)	480
Total Assets	\$ 676,521	\$ 31,039,351	\$ (30,453,492)	\$ 1,262,380
Liabilities				
Accounts Payable	\$ 34,533	\$ 152,466	\$ (97,072)	\$ 89,927
Due to Individuals	69,407	987,513	(985,394)	71,526
Due to Other Funds	29,500	12,506,191	(12,505,989)	29,702
Due to Other Governments	121,692	15,387,949	(15,461,525)	48,116
Inmate Trust Funds	37,180	124,883	(144,765)	17,298
Officers' Special Trust Funds	1,560	6,046	(7,547)	59
Cold Case Trust Funds	0	205	(177)	28
Installment Tax Deposits	156,381	414,388	(354,329)	216,440
Deposits	226,268	1,206,710	(643,694)	789,284
Total Liabilities	\$ 676,521	\$ 30,786,351	\$ (30,200,492)	\$ 1,262,380

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

Federal and State Required Reports and Schedules

Gadsden County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
Year Ended September 30, 2005

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through/ Grantors Number	Expenditures
FEDERAL AWARDS			
U.S. DEPARTMENT OF JUSTICE			
Passed through State of Florida Department of Juvenile Justice			
Civil Citations Grant	16.523	Q6019	\$ 12,080
Direct Program			
2002 Local Law Enforcement Block Grant	16.592	2002-LB-BX-2656	33,860
Passed Through the State of Florida Office of the Attorney General:			
Victims of Crime Act 10/1/04-9/30/05	16.575	V4275	32,941
Passed Through the State of Florida Department of Law Enforcement			
Edward Byrne Memorial Law Enforcement Grant 04/05	16.579	05-CJ-K3-02-30-01-184	81,130
Law Enforcement Terrorism Protection Program	97.074	05-CJ-L2-02-30-23-124	41,108
FEDERAL HIGHWAY ADMINISTRATION			
Passed Through State of Florida Department of Transportation			
Countywide Sidewalk Project	20.205	AN075	18,676
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
Passed Through Florida Department of Transportation			
Highway Safety Grant 6/7/05-10/1/05	20.600	AO263	7,250
U.S. DEPARTMENT OF STATE			
Passed Through Florida Department of State			
Voter Education Fund 04/05	39.011	Appropriation 2888A	5,270
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
Passed Through Florida Department of State, Division of Library and Information Services			
Enhancing Hispanic Services 04/05	45.310	04-LSTA-E-03	43,607
U.S. OFFICE OF EDUCATION			
Passed through State of Florida Department of Community Affairs			
Drug-free Communities Program 10/01/04-9/30/05	84.186	05-CJ-K5-02-30-23-048	38,999

Gadsden County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2005

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through/ Grantors Number	Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through State of Florida Department of Community Affairs			
Emergency Management Preparedness Grant	83.552	05BG-04-02-30-01-193	\$ 16,078
FEMA - Hurricane Frances	97.036	05-PA-G%-02-30-00-941	31,962
FEMA - Hurricane Ivan	97.036	05-PA-G=-02-30-01-545	63,761
FEMA - Hurricane Charley	97.036	05-PA-C%-02-30-00-953	29,966
Direct Program			
Assistance for Firefighters Grant Program	97.044	EMW-2004-FG-06934	39,435
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through State of Florida Department of Revenue			
Child Support Enforcement 07/04-06/05	93.563	T00160	12,223
Child Support Enforcement 07/05-06/06	93.563	C0520	4,970
Child Support Reimbursement Payments	93.563	CC320	125,492
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	32,472
Total Federal Awards			671,280
STATE FINANCIAL ASSISTANCE			
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Small County Solid Waste 04/05	37.012	SC05-09	191,176
Florida Recreation Development Assistance Program	37.017	F3498	19,563
FLORIDA DEPARTMENT OF STATE			
Division of Library and Information Services			
State Aid to Libraries 03/04	45.030	04-ST-14	150,399
State Aid to Libraries 04/05	45.030	05-ST-15	81,241
Public Library Construction Grant	45.030	04-PLC-01	500,000
African-American Enhancements	45.042	05-CLIC-02	6,588
FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES			
Arthropod Control/Mosquito Control	42.003	Sec. 388 F.S.	46,487

Gadsden County, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)
Year Ended September 30, 2005

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through/ Grantors Number	Expenditures
FLORIDA DEPARTMENT OF COMMUNITY AFFAIRS			
Emergency Management Preparedness Grant	52.008	05BG-04-02-30-01-193	\$ 101,503
FLORIDA HOUSING FINANCE CORPORATION			
State Housing Initiatives Partnership Grant 05/06	52.901	Unknown	32,354
State Housing Initiatives Partnership Grant 04/05	52.901	Unknown	190,943
State Housing Initiatives Partnership Grant 03/04	52.901	Unknown	346,250
State Housing Initiatives Partnership Grant 02/03	52.901	Unknown	21,640
FLORIDA DEPARTMENT OF TRANSPORTATION			
Small County Outreach Program	55.009	AO511	3,000
Public Transportation Joint Participation Agreement	55.012	AN874	27,287
Small County Road Assistance Program	55.016	ANR91	702,742
Small County Road Assistance Program	55.016	ANT39	572,175
Small County Road Assistance Program	55.016	AO510	6,990
Keep America Beautiful Systems	37.021	Unknown	20,426
FLORIDA DEPARTMENT OF HEALTH			
EMS County Grant 03/04	64.005	C4020	27,225
EMS Rural Matching Grant	64.005	R3012	122,682
Total State Financial Assistance			<u>3,170,671</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 3,841,951</u>

NOTES:

- (1) The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared on the modified accrual basis of accounting.



**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 31, 2006

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

We have audited the 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, 2005, which collectively comprise Gadsden County, Florida's basic financial statements and have issued our report thereon dated March 31, 2006. 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 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 the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Gadsden County, Florida's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition of the Gadsden County Board of County Commissioners is described in the accompanying schedule of findings and questioned costs as item 05-1. Other reportable conditions are described in the audit reports of the Clerk of the Circuit Court and Sheriff.

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 misstatements caused by error 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 the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions 05-1, 05-2 and 05-3 to be material weaknesses. We also 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 31, 2006.

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 31, 2006.

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.



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 31, 2006

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, 2005. 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.

In our opinion, 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, 2005.

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
Year Ended September 30, 2005

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I -- Summary of Auditor's Results

Financial Statements

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

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Programs</u>
		Passed through State of Florida Department of Law Enforcement
	16.579	Edward Byrne Memorial Law Enforcement Grant
		U.S. Department of Health and Human Services
		Passed through State of Florida Department of Revenue
	93.563	Child Support Enforcement/Reimbursement
		U.S. Department of Homeland Security
		Passed through State of Florida Department of Community Affairs
	97.036	FEMA-Hurricanes Frances, Ivan & Charley

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

With the exception of Finding 05-1, we noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In addition, Finding 05-1 is considered a reportable condition.

Section III -- Federal Award Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133.

Gadsden County, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance (Continued)
Year Ended September 30, 2005

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Reportable condition(s) identified?	Yes
Reportable condition(s) identified considered to be material weaknesses?	Yes
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 auditor's 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>
	45.030	Florida Department of State Public Library Construction Grant
	55.016	Florida Department of Transportation Small County Road Assistance Program

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

Section II -- Financial Statement Findings

With the exception of Finding 05-1, we noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In addition, Finding 05-1 is considered a reportable condition.

Section III -- State Financial Assistance Findings and Questioned Costs

With the exception of Finding 05-1, 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, 2005

For the Board of County Commissioners:

05-1 Segregation of Duties

An integral part of an accounting system is the design of internal controls and proper segregation of duties. It is important that the internal controls safeguard the organization's assets and properly record the assets, liabilities and activities in an efficient fashion while not becoming unduly burdensome to the organization (e.g. the cost should not outweigh the benefit). 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.

We recommend that incompatible duties be separated where practicable, with consideration given to hiring another employee for the IT department. This will provide increased assurance that errors or irregularities will not go undetected for long periods of time.

For the Sheriff:

05-2 Segregation of Duties

An integral part of an accounting system is the design of internal controls and proper segregation of duties. It is important that the internal controls safeguard the organization's assets and properly record the assets, liabilities and activities in an efficient fashion while not becoming unduly burdensome to the organization (e.g. the cost should not outweigh the benefit). During our audit, we noted that Finance personnel are performing functions which are generally considered to be incompatible in a good internal control system. For example, the same person:

- receives receipts, prepares bank deposits and posts them to the general ledger.
- receives and processes invoices for payment, prints checks, mails the checks to the vendors and prepares the bank account reconciliations. Additionally, this person was an authorized check signer.
- performs some human resource functions (e.g. gives new hires the benefit forms and answers questions about the employee benefits, etc.), as well as preparing and processing the payroll.

We recommend that an analysis of the internal control system, including segregation of duties be performed and incompatible duties be performed by different personnel. Specifically, a person

independent of processing the invoices and printing checks, should receive the checks from the check signer and mail them to the vendors. The employees responsible for preparing checks and making other entries in the general ledger should not have signature authority on the bank accounts. The functions of receiving and processing receipts should be segregated from the general ledger entry function. The human resource functions should be performed by a person independent of the payroll function and information necessary to prepare the payroll should be forwarded to the person preparing the payroll by the human resources person.

Additionally, we recommend that an independent person complete the bank reconciliations on a monthly basis. Once completed, the reconciliations should be signed and dated by the person completing the reconciliation. To strengthen the controls related to this function, we recommend that an independent person receive the bank statements unopened, review them prior to the reconciliation being completed and review the completed reconciliations. Particular attention should be given to the appropriateness of the reconciling items. Documentation of this review should be included on the bank reconciliations.

05-3 Accounting System

The Finance Department implemented a computerized accounting system in the last few years and is transitioning from maintaining its accounting records on manual ledgers to utilizing the computerized accounting system. However, we noted that the accounting transactions related to all of the bank accounts except for the operating account are still not posted in the computerized accounting system and revenues and expenses are misstated due to inconsistent recording of such accounting transactions. Additionally, it does not appear that the accounting personnel have an understanding of the accounting software. Some of the items noted during the audit are:

Since the general ledger is not complete or accurately maintained, periodic financial reports to management are not reliable.

We recommend that all accounting transactions be 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 be provided to accounting personnel.

Gadsden County, Florida
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2005

Financial Statement Findings

FY 2004 Finding B.1 – Internal Control over the Data Processing Operation

See related finding 05-1 on Segregation of Duties on page 64.

FY 2004 Finding B.2 – Travel Advances

No similar findings were noted in FY 05.

Federal Programs – None

State Projects – None



Management Letter

March 31, 2006

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, 2005, and have issued our report thereon dated March 31, 2006.

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, 2005, 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. However, we believe the reportable condition for segregation of duties described below to be a material weakness.

REPORTABLE CONDITIONS

Segregation of Duties (Also included on page 60 in the *Schedule of Findings and Questioned Costs, Federal Awards and State Financial Assistance*)

An integral part of an accounting system is the design of internal controls and proper segregation of duties. It is important that the internal controls safeguard the organization's assets and properly record the assets, liabilities and activities in an efficient fashion while not becoming unduly burdensome to the organization (e.g. the cost should not outweigh the benefit). 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 recommend that incompatible duties be separated where practicable, with consideration given to hiring another employee for the IT department. This will provide increased assurance that errors or irregularities will not go undetected for long periods of time.

Status of Prior Year Reportable Conditions

Segregation of Duties

We recommended that a person not responsible for the transactions in the bank account being reconciled, complete the bank reconciliations on a monthly basis. Once completed, the reconciliations should be signed and dated by the person completing the reconciliation. To strengthen the controls related to this function, we recommended that the Finance Manager or Assistant Finance Manager receive the bank statements unopened, review them prior to the reconciliation being completed and review the completed reconciliations. Particular attention should be given to the appropriateness of the reconciling items. Documentation of this review should be included on the bank reconciliations.

The responsibility for payroll, disbursements, and transmittals of direct deposits has been segregated from the person responsible for performing the bank reconciliations.

Travel Advances

We recommended that employees be required to provide receipts for all significant travel expenses and that a process be developed to track the advances and dates of travel and to follow up with the employees as necessary to obtain the receipts. We also recommended that the Board consider a policy for only advancing the employee for a portion of the estimated travel expenses.

We noted no instances of travel related advances not supported by subsequent receipts.

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.

For the year ended September 30, 2005, C.W. Roberts continues to have an ongoing contract with the County for road resurfacing, which commenced in 1998. We recommend that upon renewal of this contract that competitive bids be obtained.

Invoice Cancellation

We recommended that each invoice and other supporting information attached to the payment documents be cancelled during the payment process.

The Board implemented a procedure to stamp invoices "paid" shortly after our recommendation was made.

Unrestricted Net Assets

We recommended that the Board should consider increasing the County's unrestricted net assets so that it has the capability to address potential emergency needs and other contingencies, and that the Board develop a strategic planning and budgetary policy which, over the next few years, increases the County's unrestricted net assets.

The County's unrestricted net assets have increased \$1.4 million over the current year. We recommend that the Board continue to monitor their unrestricted assets to maintain their capability to respond to emergency needs and other contingencies.

Current Year Recommendations

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 and OMB Director, that a copy of the budget for FY 05 was not submitted.

Page Five

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, 2005 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.

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.



GADSDEN COUNTY

Board of County Commissioners

EDWARD J. BUTLER
GADSDEN COUNTY GOVERNMENTAL COMPLEX

MARLON BROWN
County Manager

THORNTON J. WILLIAMS
County Attorney

9-B East Jefferson Street
Post Office Box 1799
Quincy, Florida 32353-1799
(850) 875-8650 ♦ (850) 875-8655 FAX

June 21, 2006

COMMISSIONERS:
EUGENE LAMB, JR.
District 1
STERLING L. WATSON
District 2
DERRICK E. PRICE
District 3
BRENDA A. HOLT
District 4
EDWARD J. DIXON
District 5

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, 2005. 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.

One of the Reportable Conditions cited in the audit under the Gadsden County BOCC referred to item 05-1, Segregation of Duties. This item notes that there is only one employee in the Information Technology (IT) department. This department is solely managed by the Gadsden County Clerk of the Court (although serving the Gadsden County BOCC in the area of finance), and as a result, all responsibilities, needs, and decision making are handled by the Clerk. It is the understanding of the Gadsden County BOCC that an additional employee was hired after September 2005. The Gadsden County BOCC's staff will discuss this issue with the staff of the Clerk (via documentation) to ensure that the duties described in the audit have been segregated.

Finally, the Gadsden County BOCC wishes to convey that a prior year item, related to the need for the County to competitively bid road resurfacing and repaving projects because of the line of credit, has been resolved. This concern was raised in both the fiscal year ended September 2004 audit report and again noted in the fiscal year ended September 2005 audit report. In fiscal year 2006, the Gadsden County BOCC did competitively bid the projects and now has a new paving contractor.

Mr. Richard H. Law, C.P.A.
June 21, 2006
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 long horizontal flourish extending to the right.

Marlon Brown
County Manager

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

Special-Purpose Financial Statements

Clerk of the Circuit Court
Gadsden County, Florida

September 30, 2005
With Report of Independent Auditors



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

Clerk of the Circuit Court
Gadsden County, Florida

Special-Purpose Financial Statements

Year Ended September 30, 2005

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Report of Independent Auditors

December 12, 2005

The Honorable Clerk of the Circuit Court
Gadsden County, Florida

We have audited the accompanying special-purpose financial statements of the Clerk of the Circuit Court, Gadsden County, Florida as of and for the year ended September 30, 2005, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Clerk of the Circuit Court, Gadsden County, Florida's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes 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.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes* and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position of Gadsden County, Florida, as of September 30, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of each of the major funds and the agency funds of the Clerk of the Circuit Court, Gadsden County, Florida as of September 30, 2005, and the results of each of the major funds' operations 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 our report dated December 12, 2005 on our consideration of the Clerk of the Circuit Court, Gadsden County, Florida's internal control over financial reporting and on 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 combining statement of fiduciary assets and liabilities and combining statement of changes in fiduciary assets and liabilities – all agency funds are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements of the Clerk of the Circuit Court, Gadsden County, Florida. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Clerk of the Circuit Court and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.


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

**Clerk of the Circuit Court
Gadsden County, Florida**

**Balance Sheet
Governmental Funds**

September 30, 2005

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Public Records Trust Fund</u>	
Assets			
Cash	\$ 41,994	\$ 188,402	\$ 230,396
Due from Individuals	2,975	0	2,975
Due from Other Funds	3,883	0	3,883
Due from Other County Units	2,170	0	2,170
Due from Other Governments	27,370	0	27,370
Other Assets	538	0	538
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 78,930</u>	<u>\$ 188,402</u>	<u>\$ 267,332</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 11,174	\$ 0	\$ 11,174
Due to Other County Units	268	0	268
Due to Other Governments	31,982	0	31,982
Accrued Wages and Benefits	34,106	0	34,106
Deferred Revenue	1,400	0	1,400
	<hr/>	<hr/>	<hr/>
Total Liabilities	78,930	0	78,930
 Fund Balances			
Reserved for Records Modernization	<hr/> 0	<hr/> 188,402	<hr/> 188,402
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 78,930</u>	<u>\$ 188,402</u>	<u>\$ 267,332</u>

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

**Clerk of the Circuit Court
Gadsden County, Florida**

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

Year ended September 30, 2005

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Public Records Trust Fund</u>	
Revenues			
Intergovernmental Revenues	\$ 125,492	\$ 0	\$ 125,492
Charges for Services	1,226,906	100,351	1,327,257
Interest	41,551	3,865	45,416
Miscellaneous	35,956	0	35,956
Total Revenues	<u>1,429,905</u>	<u>104,216</u>	<u>1,534,121</u>
Expenditures			
General Government			
Personal Services	1,500,243	0	1,500,243
Operating Expenditures	192,672	0	192,672
Capital Outlay	237,972	48,528	286,500
Total Expenditures	<u>1,930,887</u>	<u>48,528</u>	<u>1,979,415</u>
Excess of expenditures (over) under revenues	<u>(500,982)</u>	<u>55,688</u>	<u>(445,294)</u>
Other financing sources (uses)			
Transfers in	533,097	0	533,097
Transfers out	(133)	0	(133)
Remittance to Florida Department of Revenue	(31,982)	0	(31,982)
Total other financing sources	<u>500,982</u>	<u>0</u>	<u>500,982</u>
Change in Fund Balances	0	55,688	55,688
Fund Balances, Beginning of Year	<u>0</u>	<u>132,714</u>	<u>132,714</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 188,402</u>	<u>\$ 188,402</u>

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

**Clerk of the Circuit Court
Gadsden County, Florida**

**Statement of Fiduciary Assets and Liabilities
Agency Funds**

September 30, 2005

Assets	
Cash	\$ 808,542
Due from Individuals	615
Due from Other County Units	4,028
Due from Other Governments	<u>260</u>
 Total Assets	 \$ <u><u>813,445</u></u>
 Liabilities	
Due to Individuals	\$ 6,028
Due to Other Funds	3,883
Due to Other County Units	12,706
Due to Other Governments	1,544
Deposits	<u>789,284</u>
 Total Liabilities	 \$ <u><u>813,445</u></u>

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

**Clerk of the Circuit Court
Gadsden County, Florida**

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Governmental Funds**

Year ended September 30, 2005

	General Fund			
	Budgeted Amounts		Actual Amounts	with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenues	\$ 109,000	\$ 125,492	\$ 125,492	\$ 0
Charges for Services	1,146,121	1,226,906	1,226,906	0
Interest	11,160	41,551	41,551	0
Miscellaneous	45,128	35,956	35,956	0
Total Revenues	1,311,409	1,429,905	1,429,905	0
Expenditures				
General Government				
Personal Services	1,514,606	1,500,243	1,500,243	0
Operating Expenditures	329,900	192,672	192,672	0
Capital Outlay	0	237,972	237,972	0
Total Expenditures	1,844,506	1,930,887	1,930,887	0
Excess of expenditures (over) under revenues	(533,097)	(500,982)	(500,982)	0
Other financing sources (uses)				
Transfers in	533,097	533,097	533,097	0
Transfers out	0	(133)	(133)	0
Remittance to Florida Department of Revenue	0	(31,982)	(31,982)	0
Total other financing sources	533,097	500,982	500,982	0
Excess of revenues and other sources over expenditures and other uses	0	0	0	0
Fund Balances, Beginning of Year	0	0	0	0
Fund Balances, End of Year	\$ 0	\$ 0	\$ 0	\$ 0

Public Records Trust Fund			
Budgeted Amounts		Actual Amounts	with Final Budget Positive (Negative)
Original	Final		
\$ 0	\$ 0	\$ 0	\$ 0
0	100,351	100,351	0
0	3,865	3,865	0
0	0	0	0
<u>0</u>	<u>104,216</u>	<u>104,216</u>	<u>0</u>
0	0	0	0
0	0	0	0
0	48,528	48,528	0
<u>0</u>	<u>48,528</u>	<u>48,528</u>	<u>0</u>
<u>0</u>	<u>55,688</u>	<u>55,688</u>	<u>0</u>
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	55,688	55,688	0
<u>0</u>	<u>132,714</u>	<u>132,714</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 188,402</u>	<u>\$ 188,402</u>	<u>\$ 0</u>

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

Clerk of the Circuit Court
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies

Gadsden County, Florida is a political subdivision of the State of Florida located in the panhandle of the state. The County was established under Article VIII, Section (1), *Constitution of the State of Florida*.

The Clerk of the Circuit Court (Clerk) is an elected Constitutional Officer of the County and is a part of the primary government of Gadsden County, Florida. For financial statement and reporting purposes the Clerk is a separate Constitutional Officer as provided by Chapter 218, *Florida Statutes*. However, the Clerk does not meet the definition of a legally separate organization and is not considered to be a component unit. Accordingly, the Clerk is considered to be part of the primary government of Gadsden County, Florida (County), and the financial activities of the Clerk are included as such in the Gadsden County annual financial report, along with the other Constitutional Officers and the Gadsden County Board of County Commissioners (Board). The financial statements contained herein represent the financial transactions of the Clerk only. There are no component units for the Clerk to consider for inclusion in these special-purpose financial statements.

The Clerk funds his operations as a Fee Officer pursuant to *Florida Statutes*, Chapters 28, 218 and 129. As a Fee Officer, the Clerk collects fees and commissions in the course of the Clerk's operations. The Clerk also receives appropriations from the Board to fund its functions as auditor and custodian of county funds.

The accounting policies of the Clerk conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting principles and policies used in the preparation of these special-purpose financial statements.

Basis of Presentation

These special-purpose financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the Auditor General, State of Florida.

Clerk of the Circuit Court
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

Fund Accounting

The financial activities of the Clerk are recorded in separate funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The purposes of the Clerk's various funds are categorized and described as follows:

Governmental Fund Types

General Fund

The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Clerk that are not required either legally or by accounting principles generally accepted in the United States of America to be accounted for in another fund.

Special Revenue Fund

Public Records Trust Fund – The Public Records Trust Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Fund Type

Agency Funds – The Agency Funds are used to account for assets held by the Clerk in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Clerk of the Circuit Court
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to the method by which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is followed by the Governmental Funds and Agency Funds. Under the modified accrual basis, revenues are recognized when they are received in cash or when they are considered both measurable and available to finance expenditures of the current period and as such, are susceptible to accrual. Expenditures are recorded when the liability is incurred and/or will be paid from expendable available financial resources, except for accumulated sick and vacation pay, which are not recorded until paid.

The Clerk considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. The following major revenues are considered susceptible to accrual: intergovernmental revenue, charges for services and interest earned. Intergovernmental revenue, consisting of a cost reimbursement grant, is recognized as revenue as the related expenditures are incurred.

Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Generally, this means that only current assets and current liabilities are included in the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

Budgets and Budgetary Accounting

Government fund revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the *Florida Statutes*. An annual budget is adopted for the Clerk's General Funds and the Public Records Trust Fund. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized amendments of the annual budget for the year. Budgets are prepared on the modified accrual basis of accounting.

Clerk of the Circuit Court
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

The Clerk's annual budget is monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total annual budget appropriations at the individual fund level. All appropriations lapse at year-end.

The Clerk's annual General Fund budget is comprised of two parts, one for court-related activities and one for non-court related activities. The non-court General Fund budget is funded from non-court related fees and service charges, as well as an appropriation from the Board to fund the Clerk's functions as auditor and custodian of county funds as per Section 129.025(2), *Florida Statutes*.

Section 28.36 of the *Florida Statutes* requires the Clerk to prepare a separate budget for the court-related functions of the Clerk. Only those functions specified by Section 28.35(4)(a) of the *Florida Statutes* may be funded from court-related fees, service charges, court costs, and fines retained by the Clerk. The proposed budget is filed with the Clerks of Court Operations Corporation (Corporation) by August 15 preceding the fiscal year of the budget, in the format required by the Corporation. The Corporation verifies that the proposed budget is limited to court-related functions. Section 28.36 also defines the maximum annual budget permitted.

Increases to the court functions' budget must be submitted to and approved by the Corporation. Transfers of approved budget funds between accounts and appropriation categories (personal services, operating expenses, capital outlay and non-operating) may be approved by the Clerk.

The budgeted revenues and expenditures in the accompanying budgetary comparison statement reflect the Clerk's original adopted budget and the final budget with all amendments approved by the Clerk, the Corporation and/or the Board.

Capital Assets

Capital assets purchased in the Governmental Fund Types are recorded as expenditures (capital outlay) at the time of purchase. The tangible personal property used by the Clerk is recorded by the Board as capital assets, at cost, in the statement of net assets in the government-wide financial statements of the County. The Clerk maintains custodial responsibility for the capital assets used by the Clerk.

Clerk of the Circuit Court
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

Employees accrue vacation leave based on their length of employment. They may accrue from 13 to 20 days of vacation leave per year. A minimum of five consecutive days of vacation leave must be taken by each employee every year. Vacation leave in excess of 200 hours is forfeited on December 31 following the end of the fiscal year. Employees are not paid for vacation leave in lieu of taking a vacation. An employee is paid for earned vacation leave only upon separation or by authorization of the Clerk. Upon retirement or resignation, employees may be paid a cash benefit equal to the number of vacation hours accumulated, based upon the employee's current wage rate.

Employees earn four hours of sick leave for each two weeks of employment. Upon separation, employees of the Clerk, with three years or more of service, are paid a fixed percentage of their sick leave hours earned in excess of 300 hours. The percentage varies based upon the number of years of service the employee has at separation.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Clerk uses the vesting method to calculate the liability for compensated absences. The Clerk does not, nor is he legally required to, accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the General Fund, but is included in the statement of net assets in the government-wide financial statements of the County.

Use of Estimates

The preparation of special-purpose financial statements in conformity with GAAP requires management to make use of estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the special-purpose financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Transfers In and Out

The Clerk is a fee officer whose operating budget is funded from fees, fines and service charges relating to various statutory court and non-court services provided by the office. The Clerk also receives appropriations from the Board to fund the Clerk's functions as auditor and custodian of county funds. The payments by the Board to fund these services are recorded as transfers out on the financial statements of the Board and as transfers in on the financial statements of the Clerk.

Clerk of the Circuit Court
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

In accordance with Section 218.36, *Florida Statutes*, all general fund non-court related revenues in excess of non-court related expenditures during the fiscal year are distributed to the Board within 31 days following the end of the fiscal year. In accordance with Section 28.37, *Florida Statutes*, the excess of court related fees, service charges, court costs and fines retained by the Clerk in excess of approved court-related expenditures, are distributed to the Florida Department of Revenue by January 1 following the Clerk's fiscal year end. Accordingly, such amounts are recorded as liabilities due to other county units and other governments and as transfers out to the Board and the Florida Department of Revenue on the financial statements of the Clerk. The Clerk's transfers to the Board are recognized as transfers in on the financial statements of the Board.

2. Cash

As of September 30, 2005, the Clerk's cash consisted of the following:

	<u>Carrying Amount</u>
Cash on Hand	\$ 1,000
Deposits in Qualified Public Depositories	<u>1,037,938</u>
Total Cash	<u>\$ 1,038,938</u>

Credit Risk

Chapter 218.415(17), *Florida Statutes*, stipulates the State-approved investment policy for all governmental entities and includes the following investments:

1. The Local Government Surplus Funds Trust Fund, administered by the State Board of Administration;
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

Clerk of the Circuit Court
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

2. Cash (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure the government's deposits may not be returned to it.

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 Clerk's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2005 were \$1,381,586.

3. Employees' Retirement and Benefit Plans

Pension Plan

All full-time and permanent part-time employees of the Clerk participate in the Florida Retirement System (System), a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS) administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates and vesting requirements by membership category, is provided in the Gadsden County, Florida annual financial report. Contributions and benefits are established by Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due.

The contributions paid for the years ended September 30, 2005, 2004, and 2003, were \$101,898, \$96,006 and \$74,936, respectively, which is equal to the required contribution for each year.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling (850) 488-5706.

Clerk of the Circuit Court
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

4. Interfund Receivables and Payables

Interfund receivables and payables at September 30, 2005, are as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$ 3,883	\$ 0
Agency:		
General Trust	0	1,301
Cash Bonds	0	27
Child Support	0	2,555
Total All Funds	\$ 3,883	\$ 3,883

5. Long-Term Liabilities

A summary of the changes in long-term liabilities is as follows:

	Balance October 1, 2004	Additions	Retirements	Balance September 30, 2005
Liability for compensated absences	\$ 69,267	\$136,099	\$ 134,097	\$ 71,269

Of the \$71,269 liability for accrued compensated absences, management estimates that \$46,212 will be due and payable within one year. The long-term liabilities are not reported in the financial statements of the Clerk since they are not payable from available resources at September 30, 2005. As discussed in Note 1, they are reported in the statement of net assets in the government-wide financial statements of the County.

6. Operating Leases

The Clerk has two non-cancelable operating leases for copiers which expire in April 2006 and September 2007, respectively, and a lease for a postage meter that expires April 2009. For the year ended September 30, 2005, equipment lease expense was \$38,551.

Clerk of the Circuit Court
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

6. Operating Leases (continued)

Future rental payments for the leases are as follows:

2006	\$ 27,151
2007	11,807
2008	5,112
2009	2,982
Total	<u>\$ 47,052</u>

7. Risk Management

The Clerk 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 Clerk participates in the risk management program through the Gadsden County Board of County Commissioners, which uses commercial insurance and a public entity risk pool to cover certain risks from loss.

The Board obtained commercial insurance against losses for Real and Personal Property Damage, Public Employees' Bond, Workers' Compensation and Automobile Liability.

The Board 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.

**Clerk of the Circuit Court
Gadsden County, Florida**

**Combining Statement of Fiduciary Assets and Liabilities
All Agency Funds**

September 30, 2005

	<u>General Trust</u>	<u>Cash Bonds</u>	<u>Child Support</u>	<u>Total of All Agency Funds</u>
Assets				
Cash	\$ 657,952	\$ 148,455	\$ 2,135	\$ 808,542
Due from Individuals	0	0	615	615
Due from Other County Units	4,028	0	0	4,028
Due from Other Governments	260	0	0	260
Total Assets	<u>\$ 662,240</u>	<u>\$ 148,455</u>	<u>\$ 2,750</u>	<u>\$ 813,445</u>
Liabilities				
Due to Individuals	\$ 6,023	\$ 0	\$ 5	\$ 6,028
Due to Other Funds	1,301	27	2,555	3,883
Due to Other County Units	12,706	0	0	12,706
Due to Other Governments	1,354	0	190	1,544
Deposits	640,856	148,428	0	789,284
Total Liabilities	<u>\$ 662,240</u>	<u>\$ 148,455</u>	<u>\$ 2,750</u>	<u>\$ 813,445</u>

See report of independent auditors.

**Clerk of the Circuit Court
Gadsden County, Florida**

**Combining Statement of Changes in
Fiduciary Assets and Liabilities (Continued)
All Agency Funds**

September 30, 2005

	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005
<u>GENERAL TRUST</u>				
Assets				
Cash	\$ 120,393	\$ 6,015,439	\$ 5,477,880	\$ 657,952
Due from Other County Units	0	4,028	0	4,028
Due from Other Governments	190	1,718	1,648	260
Total Assets	\$ 120,583	\$ 6,021,185	\$ 5,479,528	\$ 662,240
Liabilities				
Due to Individuals	\$ 3,808	\$ 51,710	\$ 49,495	6,023
Due to Other Funds	675	1,249,569	1,248,943	1,301
Due to Other County Units	5,526	546,627	539,447	12,706
Due to Other Governments	28,204	3,096,184	3,123,034	1,354
Deposits	82,370	1,082,676	524,190	640,856
Total Liabilities	\$ 120,583	\$ 6,026,766	\$ 5,485,109	\$ 662,240
 <u>CASH BOND</u>				
Assets				
Cash	\$ 143,940	\$ 182,840	\$ 178,325	\$ 148,455
Liabilities				
Due to Individuals	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Funds	42	53,876	53,891	27
Due to Other Governments	0	5,054	5,054	0
Deposits	143,898	124,034	119,504	148,428
Total Liabilities	\$ 143,940	\$ 182,964	\$ 178,449	\$ 148,455

	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005
<u>CHILD SUPPORT</u>				
Assets				
Cash	\$ 7,925	\$ 649,944	\$ 655,734	\$ 2,135
Due from Individuals	165	583	133	615
Total Assets	\$ 8,090	\$ 650,527	\$ 655,867	\$ 2,750
Liabilities				
Due to Individuals	\$ 1,067	\$ 643,044	\$ 644,106	\$ 5
Due to Other Funds	7,023	8,887	13,355	2,555
Due to Other Governments	0	1,958	1,768	190
Total Liabilities	\$ 8,090	\$ 653,889	\$ 659,229	\$ 2,750
<u>TOTAL ALL AGENCY FUNDS</u>				
Assets				
Cash	\$ 272,258	\$ 6,848,223	\$ 6,311,939	\$ 808,542
Due from Individuals	165	583	133	615
Due from Other County Units	0	4,028	0	4,028
Due from Other Governments	190	1,718	1,648	260
Total Assets	\$ 272,613	\$ 6,854,552	\$ 6,313,720	\$ 813,445
Liabilities				
Due to Individuals	\$ 4,875	\$ 694,754	\$ 693,601	\$ 6,028
Due to Other Funds	7,740	1,312,332	1,316,189	3,883
Due to Other County Units	5,526	546,627	539,447	12,706
Due to Other Governments	28,204	3,103,196	3,129,856	1,544
Deposits	226,268	1,206,710	643,694	789,284
Total Liabilities	\$ 272,613	\$ 6,863,619	\$ 6,322,787	\$ 813,445

See report of independent auditors.



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

December 12, 2005

The Honorable Clerk of the Circuit Court
Gadsden County, Florida

We have audited the special-purpose financial statements of the Clerk of the Circuit Court of Gadsden County, Florida as of and for the year ended September 30, 2005, and have issued our report thereon dated December 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk of the Circuit Court of Gadsden County, Florida's 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 the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Clerk's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The following reportable conditions were noted:

Segregation of Duties

An integral part of an accounting system is the design of internal controls and proper segregation of duties. It is important that the internal controls safeguard the organization's assets and properly record the assets, liabilities and activities in an efficient fashion while not becoming unduly burdensome to the organization (e.g. the cost should not outweigh the benefit). During our audit, we noted two separate instances of segregation of duties:

1. We noted that in some instances, finance personnel are performing functions which are generally considered to be incompatible in good internal control system (e.g. receiving and

processing invoices for payment, printing checks, mailing the checks to the vendors and preparing the bank account reconciliations).

We recommend that a person independent of processing the invoices and printing checks, receive the checks from the check signer and mail them to the vendors. Additionally, we recommend that a person not responsible for the transactions in the bank account being reconciled, complete the bank reconciliations on a monthly basis. Once completed, the reconciliations should be signed and dated by the person completing the reconciliation. To strengthen the controls related to this function, we recommend that an employee in a supervisory position receive the bank statements, review them along with the CD containing the cancelled check images prior to the reconciliation being completed, and review the reconciliations once completed. Particular attention should be given to the appropriateness of the reconciling items. Documentation of this review should be included on the bank reconciliations.

We understand that the accounting system will be upgraded in fiscal year 2006; therefore, we recommend that as the Finance Office is adjusting to the new system, undergoing training and revising its operating procedures to conform to the new system, that particular attention be given to the proper segregation of duties.

2. The Information Technology (IT) Department has only one employee. The employee's main responsibility is to maintain the networks and the databases for both the Clerk and the Board. He also has 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.

We recommend that the Clerk consider hiring another employee for the IT department to allow for segregation of duties and increased internal control procedures.

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 misstatements caused by error 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 the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition for segregation of duties described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Clerk of the Circuit Court of Gadsden County, Florida in a separate letter dated December 12, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk of the Circuit Court of Gadsden County, Florida's special-purpose 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 the Clerk of the Circuit Court of Gadsden County, Florida in a separate letter dated December 12, 2005.

We have issued a management letter to the Clerk of the Circuit Court of Gadsden County, Florida, dated December 12, 2005, presenting certain required disclosures and comments pursuant to *Rules of the Auditor General*, Chapter 10.550.

This report is intended solely for the information and use of the management of the Clerk of the Circuit Court of Gadsden County, Florida, and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.


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



Management Letter

December 12, 2005

The Honorable Clerk of the Circuit Court
Gadsden County, Florida

We have audited the special-purpose financial statements of the Clerk of the Circuit Court of Gadsden County, Florida, as of and for the year ended September 30, 2005, and have issued our report thereon dated December 12, 2005.

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* and any amendments thereto, 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.

In planning and performing our audit of the special-purpose financial statements of the Clerk of the Circuit Court of Gadsden County, Florida, for the year ended September 30, 2005, we considered its compliance with laws, rules, regulations and contractual provisions and 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 compliance or 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 a reportable condition 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.

We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated December 12, 2005, should be considered in conjunction with this management letter. See the following:

Reportable Condition – Segregation of Duties

OTHER MATTERS

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

Status of Prior Year Recommendations

Quarterly Reporting – Jurors and Witness Payroll

We recommended that the Clerk comply with the due dates for statements of accounts for monies received and disbursed relating to jurors and witnesses to the State Courts Administrator as per *Florida Statute 40.35(1)*.

For the year ended September 30, 2005, the quarterly reports and refunds for the first and the fourth quarter were submitted late.

Court Revenue/Expenditure and Case Tracking Report

We recommended that the Clerk maintain supporting documentation for the case information included in the Tracking Report. In addition, we recommended that a process for reconciling the various computer reports and manual logs which report case information should be established.

For the year ended September 30, 2005, supporting documentation was not maintained, however, it was regenerated for the auditor. Upon further investigation, it was noted that the report used to provide case tracking information was pulling the data based on the date the case was entered into the system, rather than the date the case was actually clocked in, which should be the basis for the Tracking Report. The Clerk's staff is working with the software manufacturer to correct this problem. Additionally, the Clerk has implemented procedures to reconcile information in computer reports and manual logs used in the Tracking Report preparation.

Invoice Cancellation

We recommended that each invoice and other supporting documentation attached to the payment be cancelled after the payment process.

The Clerk implemented a procedure to stamp invoices "paid" shortly after our recommendation was made.

Current Year Recommendations

Court Related Performance Reporting – Collection Rate Reporting

The Clerk is required to report to the Florida Clerks of Court Operations Corporation (FCCOC) for each quarter the amount of all fines, fees, service charges and other penalties assessed during the period and the amount of collections during the quarter on those amounts assessed. We noted during our testing that the Clerk did not report to FCCOC on collection rates for the year ended September 30, 2005. Clerk personnel indicated that they do not presently have the

capability to pull this information from their software. A report was submitted by the Florida Association of Court Clerks, Inc.; however, the Clerk did not verify the accuracy of the reporting.

We recommend that the Clerk work with their software vendor to develop a report which will meet these reporting requirements.

Tax Deed Sales – Notification of Titleholder

In accordance with F.S. 197.582(2), upon the sale of a tax deed, the Clerk is required to mail notice to the previous titleholder when the sale occurs and to notify them of the excess funds held for their benefit. During our testing of tax deed sales, we noted that a sale was completed on May 24, 2005, however the titleholder was not notified of the sale until March 7, 2006.

We recommend that the Clerk implement a tracking mechanism which will allow them to ensure that procedures are completed in a timely manner in regards to notification of the titleholder upon the sale of property.

ADDITIONAL DISCLOSURES

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 Report on Internal Control over Financial Reporting and on Compliance and Other Matters. The comments which follow are reported pursuant to those provisions.

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 a finding and recommendation related to segregation of duties and travel advances. A related finding and recommendation on segregation of duties is included in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters as referenced above. The Clerk has implemented our recommendations relating to improved tracking and documentation of travel advances. Additionally, we have noted above the current year status of our prior year management letter recommendations.

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 a reportable condition as described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters as referenced above.

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 special-purpose financial statements. The name or official title and legal authority for the primary government of the reporting entity is disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Clerk has no component units.

As required by *The Rules of the Auditor General* (Section 10.554(1)(h)7), the scope of our audit included a review of the provisions of Section 28.35, *Florida Statutes*, regarding compliance with the budget certified by the Florida Clerks of Court Operations Corporation and compliance with performance standards developed and certified pursuant to Section 28.35, *Florida Statutes*. In connection with our audit, we noted no instances of noncompliance with Section 28.35, *Florida Statutes*, relating to the certified budget. Exceptions relating to compliance with performance standards are noted above in our discussion of Other Matters.

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).

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control over financial reporting or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience.

This report is intended solely for the information and use of the management of the Clerk of the Circuit Court of Gadsden County, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.


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

Independent Auditor's Required Disclosure in Accordance with *Government Auditing Standards*

You have engaged us to conduct an audit of the Clerk of the Circuit Court, Gadsden County, Florida's special-purpose financial statements for the year ended September 30, 2005 in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* and any amendments thereto, issued by the Comptroller General of the United States. Our responsibilities for testing and reporting on internal controls and on compliance with applicable laws and regulations under those standards are described in the table below. In addition, the table contrasts our responsibilities in this engagement with other procedures that could be performed in other financial-related audits.

Service That We Could Provide	Our Responsibility Regarding Internal Controls	Our Responsibility Regarding Compliance with Laws and Regulations
Financial statement audit—GAAS	We consider internal control to plan the nature, timing and extent of audit procedures for the purpose of expressing our opinion on the financial statements. We report, orally or in writing, any reportable conditions, including material weaknesses that we identify as a result of our audit procedures. Our report does not provide assurance on internal control over financial reporting.	We design the audit to provide reasonable assurance of detecting fraud that is material to the financial statements and illegal acts that have a direct and material effect on the financial statement amounts.
Financial statement audit— <i>Government Auditing Standards</i>	In addition to the GAAS responsibilities, we are required to issue a written report on our consideration of internal control and identify reportable conditions, including material weaknesses, if any. Our reports do not provide assurance on internal control over financial reporting.	In addition to the GAAS responsibilities, we design our audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct and material effect on the financial statements. We issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.
Examination-level attestation	We could be engaged to examine and report on management's written assertion as to the design and operating effectiveness of internal control. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include an evaluation of the design of the entity's internal control, and performing tests of relevant internal control policies and procedures to evaluate their operating effectiveness.	We could be engaged to examine and report on management's written assertion regarding compliance. The engagement could be conducted at the financial statement level, or could result in a determination as to whether all federal programs have been administered in accordance with applicable laws and regulations. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include obtaining an understanding of the design of the entity's internal control over compliance, and testing compliance with specified requirements.
Agreed-upon procedures level attestation	We could be engaged to perform agreed-upon procedures related to management's written assertions as to the design and operating effectiveness of internal control. The objective of the agreed-upon procedures is to present specific findings to assist users in evaluating management's assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.	We could be engaged to perform agreed-upon procedures related to management's written assertion regarding compliance. The objective of the agreed-upon procedures is to present specific findings to assist users in evaluating management's assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.

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

June 15, 2006

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

Dear Sir:

Please find my response to the Independent Audit Report FY September 30, 2005.

Report on Internal Control Over Financial Reporting

We will comply with your recommendation to segregate the incompatible duties to insure good internal control of the financial operations.

Report on Internal Control over Information Technology

We have complied with your recommendation to hire additional staff to segregate the incompatible duties to insure good internal control of the IT Department.

MANAGEMENT LETTER COMMENTS

Court Related Performance Reporting - Collection Rate Reporting

We will comply with your recommendation to upgrade the software so that it will develop the report required by FCCOC.

Tax Deed Sales - Notification of Titleholder

We acknowledge the need for a better tracking method to insure immediate notification to the titleholder. Subsequent to the audit completion, the Clerk's office purchased Tax Deed Application software that provides such a tracking mechanism.

Sincerely,

Nicholas Thomas, Clerk

Special-Purpose Financial Statements

Property Appraiser
Gadsden County, Florida

*Year ended September 30, 2005
With Report of Independent Auditors*



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

**Property Appraiser
Gadsden County, Florida**

Special-Purpose Financial Statements

Year Ended September 30, 2005

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Independent Auditor's Report

December 2, 2005

The Honorable Property Appraiser
Gadsden County, Florida

We have audited the accompanying special-purpose financial statements of the Property Appraiser of Gadsden County, Florida, as of and for the year ended September 30, 2005, as listed in the table of contents. These special-purpose financial statements are the responsibility of the management of the Property Appraiser of Gadsden County, Florida. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes* and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position of Gadsden County, Florida, as of September 30, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Property Appraiser of Gadsden County, Florida, as of September 30, 2005, and the results of the General Fund's operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2005 on our consideration of the Property Appraiser of Gadsden County, Florida's internal control over financial reporting and on 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.

This report is intended solely for the information and use of the Property Appraiser and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.


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

Property Appraiser
Gadsden County, Florida

Balance Sheet
General Fund

September 30, 2005

Assets

Cash	\$	-
Due from Other County Units		86
Total Assets	\$	<u>86</u>

Liabilities and Fund Balance

Liabilities:

Accounts Payable and Accrued Liabilities	\$	-
Due to Other Governments		86
Total Liabilities		<u>86</u>

Fund Balance:

Fund Balance		-
Total Liabilities and Fund Balance	\$	<u>86</u>

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

Property Appraiser
Gadsden County, Florida

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

Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ -	\$ -	\$ 2,133	\$ 2,133
Interest	-	-	117	117
Miscellaneous	-	-	4,501	4,501
Total Revenues	<u>-</u>	<u>-</u>	<u>6,751</u>	<u>6,751</u>
Expenditures				
Current				
General Government:				
Personal Services	412,209	433,073	405,808	27,265
Operating	169,582	186,388	156,312	30,076
Capital Outlay	34,126	41,061	70,788	(29,727)
Non-Operating	10,800	-	-	-
Total Expenditures	<u>626,717</u>	<u>660,522</u>	<u>632,908</u>	<u>27,614</u>
(Deficiency) Excess of Revenues (under) over Expenditures	<u>(626,717)</u>	<u>(660,522)</u>	<u>(626,157)</u>	<u>34,365</u>
Other Financing Sources (Uses)				
Transfers In	626,717	660,522	660,522	-
Installment Purchases	-	-	-	-
Transfers Out	-	-	(34,365)	(34,365)
Total Other Financing Sources (Uses)	<u>626,717</u>	<u>660,522</u>	<u>626,157</u>	<u>(34,365)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, at Beginning of Year	-	-	-	-
Fund Balance, at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Property Appraiser
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Property Appraiser operates as a County agency and an elected Constitutional Officer of Gadsden County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Property Appraiser is a separate Constitutional Officer as provided by Chapter 218, *Florida Statutes*. The Property Appraiser is considered to be a part of the primary government of Gadsden County, Florida, and is included in the Gadsden County annual financial report. The financial statements contained herein represent the financial transactions of the Property Appraiser only.

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

Basis of Presentation

These special-purpose financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the Auditor General, State of Florida.

Description of Funds

The financial activities of the Property Appraiser are recorded in separate funds which are categorized and described as follows:

Governmental Fund Type

- o General Fund — The General Fund is the general operating fund of the Property Appraiser. This fund is used to account for all financial transactions not required to be accounted for in another fund.

Property Appraiser
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the special-purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the General Fund are maintained on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they are received in cash or when they are considered both measurable and available and as such, susceptible to accrual. Expenditures are recorded when the liability is incurred and/or will be paid from expendable available financial resources.

The Property Appraiser considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. The following major revenues are considered susceptible to accrual: certain charges for services and interest earned.

Budgets and Budgetary Accounting

Chapter 195.087, *Florida Statutes* governs the preparation, adoption and administration of the Property Appraiser's annual budget. The budget and the subsequent budget amendments of the Property Appraiser are submitted to the Florida Department of Revenue for approval. A copy of the budget is furnished to the Gadsden County Board of County Commissioners (the Board) at the same time.

Line item expenditures in excess of budget are authorized to the extent that total expenditures do not exceed the total budgeted expenditures. Budget transfers between appropriation categories (personal services, operating expenses, capital outlay, debt service and non-operating) must be approved in writing by the Florida Department of Revenue. Transfers between expense items within the same appropriation category do not need written approval from the Florida Department of Revenue. The budget is prepared on the modified accrual basis of accounting. General Fund appropriations lapse at the close of the fiscal year to the extent they have not been expended. The budgeted revenues and expenditures in the accompanying statement of revenues, expenditures and changes in fund balance – budget and actual, reflect all approved amendments.

Property Appraiser
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets purchased in the Governmental Fund Type are recorded as expenditures (capital outlay) at the time of purchase. The tangible personal property used by the Property Appraiser is reported as capital assets, at cost, in the statement of net assets in the government-wide financial statements of Gadsden County, Florida.

Liability for Compensated Absences

It is the Property Appraiser's policy to grant all full-time employees annual leave based on the number of years of continuous employment. Annual leave accrued above 240 hours is not carried forward to the subsequent calendar year. Upon termination of employment, the employee can receive a cash benefit based upon the employee's current wage rate and the annual leave not taken, not to exceed 240 hours.

Sick leave is accumulated at the rate of four hours for each full calendar month of continuous employment during the first year and eight hours during each subsequent year. There is no limit on the amount of sick leave that can be accumulated. At the time of termination, employees with twenty years or more continuous employment can receive payment based upon the employee's current wage rate for 50% of accumulated sick leave, not to exceed 300 hours. For twelve to nineteen years, the percentage is 40%, nine to eleven years is 30%, six to eight years is 20% and three to five years is 10%.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Property Appraiser uses the vesting method to calculate the liability for compensated absences. The Property Appraiser does not, nor is he legally required to, accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the General Fund, but is included in the statement of net assets in the government-wide financial statements of Gadsden County, Florida.

Property Appraiser
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

Transfers In and Out

The Board funds primarily all of the operating budget of the Property Appraiser. The payments by the Board to fund the operations of the Property Appraiser are recorded as transfers in on the financial statements of the Property Appraiser. In accordance with *Florida Statutes*, the Property Appraiser distributes all General Fund revenues in excess of expenditures to the Board within 31 days following the end of the fiscal year. Repayments to the Board are recorded as a liability and as transfers out on the financial statements of the Property Appraiser.

Related Organizations - Common Expenses

Certain expenses, which are common to the Board and all Constitutional Officers, are reported as expenses of the Board and, therefore, are not budgeted by or allocated to the Property Appraiser. These expenses paid by the Board relating to the Property Appraiser's operations are:

- Occupancy costs
- Janitorial service
- Utilities (except telephone)
- Property and worker's compensation insurance
- Employees' health and life insurance

Note 2. Cash

The Property Appraiser maintains one cash account at a bank designated by the Florida Division of Treasury as a qualified public depository. At September 30, 2005, the carrying amount of the Property Appraiser's deposit with the financial institution was \$0 and the bank balance was \$125,677. Deposits whose values exceed the limits of Federal depository insurance during the year are entirely insured or collateralized pursuant to Chapter 280, *Florida Statutes*.

Property Appraiser
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

Note 3. Employees' Retirement Plan

All full-time and permanent part-time employees of the Property Appraiser are eligible to participate in the Florida Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS) administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates and vesting requirements by membership category, is provided in the countywide financial statements of Gadsden County, Florida. Contributions and benefits are established by Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required. The contributions required for the years ended September 30, 2005, 2004 and 2003 were \$29,946, \$32,291, and \$26,817, respectively, which is equal to the required contribution for each year.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, Post Office Box 9000, Tallahassee, Florida 32315-9000, or by calling 850-488-5706.

Note 4. Risk Management

The Property Appraiser 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/or the public; or damage to property of others. The Property Appraiser participates in the risk management program through the Board of County Commissioners, which uses commercial insurance and a public entity risk pool to cover certain risks from loss.

The Board obtained commercial insurance against losses for the following types of risk:

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

Property Appraiser
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

Note 4. Risk Management (continued)

The Board 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 5. Long-Term Liabilities

A summary of the Property Appraiser's long-term liabilities is as follows:

	<u>Balance</u> <u>October 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30, 2005</u>
Accumulated compensated absences	\$ 58,781	\$ 16,111	\$ (38,021)	\$ 36,871
Vehicle purchase payable in 60 monthly payments of \$499, commencing December 2003, including interest at 4%, collateralized by vehicles	22,921	0	(5,158)	17,763
Vehicle purchase payable in 60 monthly payments of \$567, commencing December 2003, including interest at 4%, collateralized by vehicles	26,075	0	(5,868)	20,207
Vehicle purchase payable in 48 monthly payments of \$498, commencing October 2005, 6.5% imputed.	0	24,387	(7,015)	17,372
Installment purchase payable in four annual installments of \$20,000, commencing January 2003, plus a payment in the fifth year of \$3,764, including interest at 6.986%, collateralized by computer equipment	39,107	0	(17,179)	21,928
Total	<u>\$ 146,884</u>	<u>\$ 40,498</u>	<u>\$ (73,241)</u>	<u>\$ 114,141</u>

Property Appraiser
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

Note 5. Long-Term Liabilities (continued)

Maturities of long-term obligations for the years ending September 30 are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 34,122
2007	19,964
2008	17,243
2009	5,941
Compensated Absences	<u>36,871</u>
Total	<u>\$ 114,141</u>

Of the \$36,871 liability for accrued compensated absences, management estimates that \$9,019 will be due and payable within one year. The liabilities are not reported in the financial statements of the Property Appraiser since they are not payable from available resources at September 30, 2005. As discussed in Note 1, they are reported on the statement of net assets in the government-wide financial statements of Gadsden County, Florida.

Interest expense during 2005 on general long-term obligations totaled \$4,874, none of which was capitalized.

Note 6. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. The Property Appraiser had no outstanding encumbrances at September 30, 2005.

Property Appraiser
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

Note 7. Commitments and Contingencies

Commitments

The Property Appraiser has entered into a four-year contract with Affiliated Computer Services (ACS) in the amount of \$4,923 per year. The contract began October 30, 2002 and runs through October 30, 2006.

Operating Leases

The Property Appraiser is leasing a vehicle under an operating lease, which concludes during fiscal year ending September 30, 2008. During the fiscal year ended September 30, 2005, the lease payments on all operating leases amounted to \$7,070. Total subsequent lease payments payable during 2006 are \$6,400.

Litigation

Various suits and claims arising in the ordinary course of operations are pending against the Property Appraiser. These primarily relate to property assessments within the County. The ultimate effect of such litigation cannot be ascertained at this time. In the opinion of management for the Property Appraiser, the liabilities which may arise from such action would not result in losses which would materially affect the financial position of the Property Appraiser or its operations. In the event property assessment claims are resolved in favor of plaintiffs/claimants, such settlements would be funded, if at all, by the County.



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

December 2, 2005

The Honorable Property Appraiser
Gadsden County, Florida

We have audited the special-purpose financial statements of the Property Appraiser of Gadsden County, Florida, as of and for the year ended September 30, 2005, and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered the Property Appraiser of Gadsden County, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements caused by error 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property Appraiser of Gadsden County, Florida's special-purpose 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*.

We have noted other matters pursuant to the *Rules of the Auditor General*, Chapter 10.550 that we have reported to management of the Property Appraiser in a separate letter dated December 2, 2005.

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


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



Management Letter

December 2, 2005

The Honorable Property Appraiser
Gadsden County, Florida

We have audited the special-purpose financial statements of the Property Appraiser of Gadsden County, Florida, as of and for the year ended September 30, 2005 and have issued our report thereon dated December 2, 2005.

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* and any amendments thereto, 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.

In planning and performing our audit of the special-purpose financial statements of the Property Appraiser of Gadsden County, Florida, for the year ended September 30, 2005, we considered its compliance with laws, rules, regulations and contractual provisions and 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 assurance on compliance or internal control over financial reporting.

We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated December 2, 2005, should be considered in conjunction with this management letter.

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 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.

Prior Year Findings and Recommendations

1. Segregation of Duties: While optimal segregation of duties is difficult to achieve in a small office, appropriate steps have been taken to mitigate the risk of accounting errors not being detected in a timely manner.
2. No Annual Report to Board of County Commissioners: A report was made to the Board of County Commissioners within 31 days of the close of the fiscal year ended September 30, 2005.

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 were 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 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 special-purpose financial statements. The name or official title and legal authority for the primary government of the reporting entity is disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Property Appraiser has no component units.

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 report is intended solely for the information and use of the Property Appraiser of Gadsden County, Florida and management, others within the organization and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

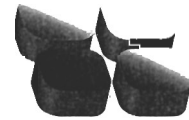

Law, Redd, Crona & Munroe, P.A.

No response required.

Special-Purpose Financial Statements

Sheriff
Gadsden County, Florida

September 30, 2005
With Report of Independent Auditors



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

**Sheriff
Gadsden County, Florida**

Special-Purpose Financial Statements

Year Ended September 30, 2005

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

Report of Independent Auditors

March 31, 2006

The Honorable Sheriff
Gadsden County, Florida

We have audited the accompanying special-purpose financial statements of the Sheriff of Gadsden County, Florida, as of and for the year ended September 30, 2005, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Sheriff of Gadsden County, Florida's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes* and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position of Gadsden County, Florida, as of September 30, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of each of the major funds and the agency funds of the Sheriff of Gadsden County, Florida as of September 30, 2005, and the results of the General Fund's and Special Revenue Funds' operations 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 31, 2006 on our consideration of the Sheriff of Gadsden County, Florida's internal control over financial reporting and on 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 additional information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements of the Sheriff of Gadsden County, Florida. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose fund financial statements taken as a whole.

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


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

**Sheriff
Gadsden County, Florida**

**Balance Sheet
Governmental Funds**

September 30, 2005

	<u>Major Fund General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 64,087	\$ 8,762	\$ 72,849
Accounts Receivable	0	0	0
Due from Other County Units	232,015	65,507	297,522
Due from Other Funds	130,722	0	130,722
Due from Other Governments	0	65,215	65,215
Total Assets	<u>\$ 426,824</u>	<u>\$ 139,484</u>	<u>\$ 566,308</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 331,628	\$ 0	\$ 331,628
Due to Other Funds	0	130,722	130,722
Due to Board of County Commissioners	75,776	0	75,776
Deferred Revenues	19,420	0	19,420
Total Liabilities	426,824	130,722	557,546
Fund Balance - Reserved	<u>0</u>	<u>8,762</u>	<u>8,762</u>
Total Liabilities and Fund Balances	<u>\$ 426,824</u>	<u>\$ 139,484</u>	<u>\$ 566,308</u>

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

**Sheriff
Gadsden County, Florida**

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

Year ended September 30, 2005

	<u>Major Fund General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental Revenue	\$ 0	\$ 238,910	\$ 238,910
Fines and Forfeitures	60,327	0	60,327
Total Revenues	<u>60,327</u>	<u>238,910</u>	<u>299,237</u>
Expenditures			
Public Safety:			
Personal Services	4,017,865	287,396	4,305,261
Operating	1,448,547	209,471	1,658,018
Capital Outlay	4,714	7,250	11,964
Total Expenditures	<u>5,471,126</u>	<u>504,117</u>	<u>5,975,243</u>
Deficiency of Revenues Under Expenditures	<u>(5,410,799)</u>	<u>(265,207)</u>	<u>(5,676,006)</u>
Other Financing Sources (Uses)			
Transfers from Board of County Commissioners	5,410,799	247,308	5,658,107
Transfers from Clerk of the Courts	0	0	0
Transfers to Board of County Commissioners	0	0	0
Transfers in	0	0	0
Transfers out	0	0	0
Total Other Financing Sources	<u>5,410,799</u>	<u>247,308</u>	<u>5,658,107</u>
Net Change in Fund Balances	0	(17,899)	(17,899)
Fund Balances, Beginning of Year	<u>0</u>	<u>26,661</u>	<u>26,661</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 8,762</u>	<u>\$ 8,762</u>

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

**Sheriff
Gadsden County, Florida**

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

Year Ended September 30, 2005

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 0	\$ 0	\$ 60,327	\$ 60,327
Expenditures				
Public Safety:				
Personal Services	3,762,619	3,852,619	4,017,865	(165,246)
Operating	1,222,465	1,397,465	1,448,547	(51,082)
Capital Outlay	153,000	153,000	4,714	148,286
Total Expenditures	<u>5,138,084</u>	<u>5,403,084</u>	<u>5,471,126</u>	<u>(68,042)</u>
Deficiency of Revenues Under Expenditures	<u>(5,138,084)</u>	<u>(5,403,084)</u>	<u>(5,410,799)</u>	<u>(7,715)</u>
Other Financing Sources (Uses)				
Transfers In	5,153,784	5,418,784	5,410,799	(7,985)
Transfers out	(15,700)	(15,700)	0	15,700
Total Other Financing Sources	<u>5,138,084</u>	<u>5,403,084</u>	<u>5,410,799</u>	<u>7,715</u>
Net Change in Fund Balances	0	0	0	0
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>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**Sheriff
Gadsden County, Florida**

**Statement of Fiduciary Assets and Liabilities
Agency Funds**

September 30, 2005

Assets	
Cash	<u><u>\$ 89,693</u></u>
 Liabilities	
Due to Individuals	65,497
Due to Board of County Commissioners	6,810
Officer's Special Trust Fund	59
Inmate Trust Funds	17,299
Cold Case Trust Funds	<u>28</u>
 Total Liabilities	 <u><u>\$ 89,693</u></u>

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

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies

Gadsden County is a political subdivision of the State of Florida located in the northern portion of the state. The County was established under Article VIII, Section 1(d), *Constitution of the State of Florida*.

The Sheriff is an elected Constitutional Officer of the County. For financial statement and reporting purposes the Sheriff is a separate Constitutional Officer as provided by Section 125.73, *Florida Statutes*. However, the Sheriff does not meet the definition of a legally separate organization and is not considered to be a component unit. Accordingly, the Sheriff is considered to be part of the primary government of Gadsden County, Florida (County) and the financial activities of the Sheriff are included as such in the Comprehensive Annual Financial Report of Gadsden County, Florida, along with the other Constitutional Officers and the Gadsden County Board of County Commissioners (Board). The financial statements contained herein represent the financial transactions of the Sheriff only. There are no component units for the Constitutional Officers to consider for inclusion in their respective financial statements.

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

Basis of Presentation

These special-purpose fund financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the Auditor General, State of Florida.

Fund Accounting

The financial activities of the Sheriff are recorded in separate funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

The purpose of the Sheriff's various funds are categorized and described as follows:

Governmental Fund Type

General Fund – The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Sheriff that are not required either legally or by accounting principles generally accepted in the United States of America to be accounted for in another fund.

Other Governmental Fund Type

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Sheriff reports the following special revenue funds in the special purpose financial statements under the title "Other Governmental Funds."

- Law Enforcement Block Grant – Accounts for the activities related to funds received from the U.S. Department of Justice for acquisition of capital outlay items.
- Radio Communications – Accounts for activities related to moving violation fines used for a radio communications program and local law enforcement automation.
- VOCA – Accounts for activities related to funds received from the Florida Attorney General for use related to Victims of Crimes Act.
- E-911 – Accounts for the activities related to operating the E-911 system.
- Civil Citations – Accounts for the activities related to funds received from the U.S. Department of Justice for the Civil Citations Program.
- Emergency Management – Accounts for the activities related to establishing and maintaining disaster assistance services.
- COPS – Accounts for the activities related to funds received from the U.S. Department of Justice for providing community-oriented policing services.
- Drug Abuse – Accounts for the activities related to funds received from the Florida Department of Law Enforcement for the Drug Abuse Grant.
- Truancy Program – Accounts for the activities related to funds received from the Florida Office of Drug Control for the Truancy Grant Program.

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

Fiduciary Fund Type

Agency Funds – The Agency Funds account for the assets held by the Sheriff in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

Basis of accounting refers to the method by which revenues and expenditures are recognized in the accounts and reported in the fund financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Governmental Funds and Agency Funds are maintained on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they are received in cash or when they are considered both measurable and available and as such, are susceptible to accrual. Expenditures are recorded when the liability is incurred and/or will be paid from expendable available financial resources.

The Sheriff considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. The following major revenues are considered susceptible to accrual: intergovernmental revenue, charges for services and interest earned. Intergovernmental revenue, consisting of cost reimbursement grants, is recognized as revenue as the related expenditures are incurred.

Budgets and Budgetary Accounting

Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the *Florida Statutes*. Budgets are adopted only for governmental funds.

The Sheriff follows these procedures in establishing the budgetary data reflected in the fund financial statements:

Section 129.03 of the *Florida Statutes* requires the Sheriff, to establish an annual budget reflecting resources available and functions for which funds are to be expended.

- (1) The proposed budget is filed with the Board by May 1 preceding the fiscal year of the budget. Prior to October 1, the budget is legally enacted by approval of the Board subject to the notice and hearing requirements of Section 200.065 of the *Florida Statutes*.

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

- (2) The Sheriff's budget can be amended by the Board as necessary during the year. Line item expenditures in excess of appropriations are authorized to the extent that total expenditures by category do not exceed total appropriations by category.
- (3) Formal budgetary integration is employed as a management control device during the year for the Sheriff's General Fund. Appropriations lapse at the close of the fiscal year to the extent they have not been expended.
- (4) The budget for the Sheriff's General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The budgeted revenues and expenditures in the accompanying statement of revenues, expenditures and changes in fund balances – budget and actual reflect the Sheriff's original adopted budget and the final budget with all amendments approved by the Sheriff and the Board.

Capital Assets

The Sheriff is accountable for and thus maintains capital asset records pertaining to the equipment used in his operations. Real property used by the Sheriff is accounted for by the Board as the Board holds legal title and is accountable for such assets under Florida law.

Capital assets purchased in the Governmental Funds are recorded as expenditures (capital outlay) at the time of purchase. Capital assets acquired under capital leases are recorded at cost as capital outlay expenditures and other financing sources at inception of the capital lease. The tangible personal property used by the Sheriff is reported as capital assets, at cost, in the statement of net assets as part of the government-wide financial statements of the County. Donated and confiscated fixed assets are recorded in the County's statement of net assets at fair value at the time received. Capital assets are depreciated using the straight-line method over three to seven years. The depreciation expense is recorded in the statement of activities as part of the government-wide financial statements of the County.

Compensated Absences

Employees accrue vacation leave based on their employment date and length of employment. They may accrue from 12 to 18 days of vacation per year. Annual leave in excess of 30 days is forfeited on December 31. Employees are generally not paid for vacation leave in lieu of taking a vacation except that an employee may be paid for earned vacation leave upon separation.

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

Employees earn one day of sick leave for each month of employment. Sick leave can be carried forward from year to year. An employee with ten years of service or more may be paid for 25% of accrued sick leave upon separation.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Sheriff uses the vesting method option to calculate the liability for compensated absences. The Sheriff does not, nor is he legally required to, accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the General Fund, but is included in the statement of net assets in the government-wide financial statements of the County.

Reserves

Reserves indicate that portion of fund balances 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 is intended.

Transfers In and Out

The Board funds primarily all of the operating budget of the Sheriff's General Fund. The payments by the Board to fund the operations of the Sheriff are recorded as transfers out on the financial statements of the Board and as transfers in on the financial statements of the Sheriff. Section 218.36, *Florida Statutes*, requires the Sheriff to distribute all general fund revenues in excess of expenditures to the Board within 31 days following the end of the fiscal year. Accordingly, such amounts are recorded as a liability and as transfers out on the financial statements of the Sheriff and as transfers in on the financial statements of the Board.

Use of Estimates

The preparation of special-purpose financial statements in conformity with generally accepted accounting principles requires management to make use of estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the special-purpose financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

2. Cash

As of September 30, 2005, the Sheriff had the following in cash:

	Carrying Amount
Deposits in Qualified Public Depositories	<u>\$162,542</u>
Total Cash	<u>\$162,542</u>

Credit Risk

Florida Statutes, Chapter 218.415(17), stipulates the State-approved investment policy for all governmental entities and includes the following investments:

1. The Local Government Surplus Funds Trust Fund administered by the State Board of Administration;
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

The Sheriff has no investment policy that would further limit its investment choices.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it.

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 Sheriff's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2005 were \$233,735.

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

3. Capital Assets

Tangible personal property used by the Sheriff in its operations is reported in the government-wide financial statements of the County. A summary of the changes in capital assets for the year ended September 30, 2005 follows:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2005</u>
Vehicles, furniture and equipment	\$2,879,737	\$ 51,009	\$ 0	\$ 2,930,746
Accumulated depreciation	2,479,703	248,009	0	2,727,712
Capital assets, net	<u>\$ 400,034</u>	<u>\$(197,000)</u>	<u>\$ 0</u>	<u>\$ 203,034</u>

4. Long-Term Liabilities

A summary of changes in the long-term liabilities of the Sheriff is as follows:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2005</u>
Liability for Compensated absences	<u>\$ 281,481</u>	<u>\$294,973</u>	<u>\$298,226</u>	<u>\$ 278,228</u>

Of the \$278,228 liability for accrued compensated absences, management estimates that \$136,332 will be due and payable within one year. The long-term liabilities are not reported in the financial statements of the Sheriff since they are not payable from available resources at September 30, 2005. They are reported in the statement of net assets in the government-wide financial statements of the County.

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

5. Interfund Receivables and Payables

Interfund receivables and payables at September 30, 2005, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 130,722	\$ 0
Special Revenue Funds		
Law Enforcement Block Grant	0	0
VOCA	0	8,838
Truancy	0	12,086
E-911	0	13,681
Emergency Management	0	37,559
Narcotics	0	14,267
DMC	0	6,080
Highway Safety Grant	0	7,250
Law Enforcement Terrorism Protection Grant	0	30,961
Totals	\$ 130,722	\$ 130,722

The principal purpose of the interfund balances was to meet current obligations where sufficient moneys were not available. All balances are expected to be repaid within one year.

6. Employees' Retirement and Benefit Plans

All full-time and permanent part-time employees of the Sheriff are eligible to participate in the Florida Retirement System (System), a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS) administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates and vesting requirements by membership category, is provided in the Gadsden County, Florida Comprehensive Annual Financial Report. Contributions and benefits are established by Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required. The contributions paid for the years ended September 30, 2005, 2004 and 2003

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

6. Employees' Retirement and Benefit Plans (continued)

were \$477,117, \$473,761 and \$446,938, respectively, which is equal to the required contribution for each year.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling 850-488-5706.

7. Risk Management

Professional Liability

The Sheriff is currently a member of the Florida Sheriff's Association and participates in the Florida Sheriffs' Self-Insurance Fund. The Self-Insurance Fund administers insurance activities related to professional liability and covers compensatory damages (except back pay), employment benefits, punitive damages, attorney fees or costs awarded to a prevailing Plaintiff, and all legal fees involved in defense of the Sheriff. The contribution required for the year ended September 30, 2005 was \$105,104.

The limits of the Self-Insurance Fund for the above-mentioned damages, fees and defense costs are \$3,200,000 per claim and \$3,500,000 in aggregate for the policy year. Settled claims did not exceed this coverage in the current year.

Automobile Coverage

The Sheriff participates in the Florida Municipal Insurance Trust which is sponsored by the Florida League of Cities for automobile coverage. The contribution required for the year ended September 30, 2005 was \$59,547.

Workers' Compensation

The Sheriff participates in the Florida Municipal Insurance Trust for workers compensation coverage which provides for coverage of risks of loss related to worker's compensation claims. The Board makes payments to the fund based upon payroll exposure in the amounts needed to pay prior and current year claims.

Sheriff
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

8. Contingencies

Various claims and legal actions arising in the normal course of the Sheriff's operations were pending against the Sheriff at September 30, 2005. These claims are covered through the Sheriff's participation in the Florida Sheriff's Self-Insurance Fund. In the opinion of the Sheriff's legal counsel, the liabilities which may arise from such actions would be adequately covered by the Self-Insurance Fund. Accordingly, no provision has been made in the financial statements for such contingencies.

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**Sheriff
Gadsden County, Florida**

**Combining Balance Sheet
Nonmajor Governmental Funds - All Special Revenue Funds**

September 30, 2005

	Law Enforcement						Emergency
	Block Grant	Radio Communications	VOCA	E-911	Civil Citations		Management
Assets							
Cash	\$ 0	\$ 8,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due from Other County Units	0	0	0	13,681	0	0	37,559
Due from Other Funds	0	0	0	0	0	0	0
Due from Other Governments	0	0	8,838	0	0	0	0
Total Assets	\$ 0	\$ 8,762	\$ 8,838	\$ 13,681	\$ 0	\$ 0	\$ 37,559
Liabilities and Fund Balances							
Liabilities							
Due to Other Funds	\$ 0	\$ 0	\$ 8,838	\$ 13,681	\$ 0	\$ 0	\$ 37,559
Deferred Revenue	0	0	0	0	0	0	0
Total Liabilities	0	0	8,838	13,681	0	0	37,559
Fund Balance - Reserved	0	8,762	0	0	0	0	0
Total Liabilities and Fund Balances	\$ 0	\$ 8,762	\$ 8,838	\$ 13,681	\$ 0	\$ 0	\$ 37,559

COPS	Narcotics	Truancy	Law Enforcement Terrorism Protection	Disproportionate Minority	Highway Safety	Total Nonmajor Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,762
0	14,267	0	0	0	0	65,507
0	0	0	0	0	0	0
0	0	12,086	30,961	6,080	7,250	65,215
<u>\$ 0</u>	<u>\$ 14,267</u>	<u>\$ 12,086</u>	<u>\$ 30,961</u>	<u>\$ 6,080</u>	<u>\$ 7,250</u>	<u>\$ 139,484</u>
\$ 0	\$ 14,267	\$ 12,086	\$ 30,961	\$ 6,080	\$ 7,250	\$ 130,722
0	0	0	0	0	0	0
0	14,267	12,086	30,961	6,080	7,250	130,722
0	0	0	0	0	0	8,762
<u>\$ 0</u>	<u>\$ 14,267</u>	<u>\$ 12,086</u>	<u>\$ 30,961</u>	<u>\$ 6,080</u>	<u>\$ 7,250</u>	<u>\$ 139,484</u>

See Report of Independent Auditors.

Sheriff
Gadsden County, Florida

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds - All Special Revenue Funds

September 30, 2005

	Law Enforcement Block Grant	Radio Communications	VOCA	E-911	Civil Citations	Emergency Management
Revenues						
Intergovernmental Revenues	\$ 33,860	\$ 72,672	\$ 32,941	\$ 0	\$ 0	\$ 0
Total Revenues	<u>33,860</u>	<u>72,672</u>	<u>32,941</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures						
Public Safety:						
Personal Services	0	5,869	31,530	70,966	0	82,395
Operating	33,860	84,702	1,411	9,444	0	7,078
Capital Outlay	0	0	0	0	0	0
Total Expenditures	<u>33,860</u>	<u>90,571</u>	<u>32,941</u>	<u>80,410</u>	<u>0</u>	<u>89,473</u>
Deficiency of Revenues Under Expenditures	<u>0</u>	<u>(17,899)</u>	<u>0</u>	<u>(80,410)</u>	<u>0</u>	<u>(89,473)</u>
Other Financing Sources						
Transfers from Board of County Commissioners	0	0	0	80,410	0	89,473
Transfers from Clerk	0	0	0	0	0	0
Transfers from Sheriff's General Fund	0	0	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>80,410</u>	<u>0</u>	<u>89,473</u>
Net Change in Fund Balances	0	(17,899)	0	0	0	0
Fund Balances, Beginning of Year	<u>0</u>	<u>26,661</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 8,762</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

COPS	Narcotics	Truancy	Law Enforcement Terrorism Protection	Disproportionate Minority	Highway Safety	Total Nonmajor Governmental Funds
\$ 0	\$ 0	\$ 38,999	\$ 41,108	\$ 12,080	\$ 7,250	\$ 238,910
0	0	38,999	41,108	12,080	7,250	238,910
0	58,037	38,599	0	0	0	287,396
0	19,388	400	41,108	12,080	0	209,471
0	0	0	0	0	7,250	7,250
0	77,425	38,999	41,108	12,080	7,250	504,117
0	(77,425)	0	0	0	0	(265,207)
0	77,425	0	0	0	0	247,308
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	77,425	0	0	0	0	247,308
0	0	0	0	0	0	(17,899)
0	0	0	0	0	0	26,661
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,762

See Report of Independent Auditors.

**Sheriff
Gadsden County, Florida**

**Combining Statement of Fiduciary Assets and Liabilities
All Agency Funds**

September 30, 2005

	<u>Individual Depository</u>	<u>Suspense</u>	<u>Inmate Trust</u>
Assets			
Cash	\$ 11,352	\$ 10,420	\$ 67,134
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Due to Individuals	\$ 4,542	\$ 10,420	\$ 49,835
Due to Board of County Commissioners	6,810	0	0
Officer's Special Trust Funds	0	0	0
Inmate Trust Funds	0	0	17,299
Cold Case Trust Funds	0	0	0
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 11,352</u>	<u>\$ 10,420</u>	<u>\$ 67,134</u>

<u>Confiscated Funds</u>	<u>Officer's Special</u>	<u>Cold Case</u>	<u>Totals</u>
<u>\$ 700</u>	<u>\$ 59</u>	<u>\$ 28</u>	<u>\$ 89,693</u>
\$ 700	\$ 0	\$ 0	\$ 65,497
0	0	0	6,810
0	59	0	59
0	0	0	17,299
0	0	28	28
<u>\$ 700</u>	<u>\$ 59</u>	<u>\$ 28</u>	<u>\$ 89,693</u>

See Report of Independent Auditors.

Sheriff
Gadsden County, Florida

Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds

September 30, 2005

	Balance October 1, 2004	Increases	(Decreases)	Balance September 30, 2005
<u>INDIVIDUAL DEPOSITORY</u>				
Assets				
Cash	\$ 4,828	\$ 47,767	\$ (41,243)	\$ 11,352
Liabilities				
Due to Individuals	\$ 4,828	\$ 40,957	\$ (41,243)	\$ 4,542
Due to Board of County Commissioners	0	6,810	0	6,810
Total Liabilities	\$ 4,828	\$ 47,767	\$ (41,243)	\$ 11,352
 <u>SUSPENSE</u>				
Assets				
Cash	\$ 7,643	\$ 28,066	\$ (25,289)	\$ 10,420
Liabilities				
Due to Individuals	\$ 2,422	\$ 28,066	\$ (20,068)	\$ 10,420
Due to Board of County Commissioners	5,221	-	(5,221)	-
Total Liabilities	\$ 7,643	\$ 28,066	\$ (25,289)	\$ 10,420
 <u>INMATE TRUST</u>				
Assets				
Cash	\$ 69,140	\$ 330,218	\$ (332,224)	\$ 67,134
Liabilities				
Due to Individuals	\$ 31,960	\$ 205,335	\$ (187,460)	\$ 49,835
Inmate Trust Funds	37,180	124,883	(144,764)	17,299
Total Liabilities	\$ 69,140	\$ 330,218	\$ (332,224)	\$ 67,134
 <u>CONFISCATED FUNDS</u>				
Assets				
Cash	\$ 25,322	\$ 18,400	\$ (43,022)	\$ 700
Liabilities				
Due to Individuals	\$ 25,322	\$ 18,400	\$ (43,022)	\$ 700



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

March 31, 2006

The Honorable Sheriff
Gadsden County, Florida

We have audited the special-purpose financial statements of the Sheriff of Gadsden County, Florida as of and for the year ended September 30, 2005, and have issued our report thereon dated March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sheriff of Gadsden County, Florida's 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 the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Sheriff's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The following reportable conditions were noted:

Segregation of Duties

An integral part of an accounting system is the design of internal controls and proper segregation of duties. It is important that the internal controls safeguard the organization's assets and properly record the assets, liabilities and activities in an efficient fashion while not becoming unduly burdensome to the organization (e.g. the cost should not outweigh the benefit). During our audit, we noted that Finance personnel are

performing functions which are generally considered to be incompatible in a good internal control system. For example, the same person:

- receives receipts, prepares bank deposits and posts them to the general ledger.
- receives and processes invoices for payment, prints checks, mails the checks to the vendors and prepares the bank account reconciliations. Additionally, this person was an authorized check signer.
- performs some human resource functions (e.g. gives new hires the benefit forms and answers questions about the employee benefits, etc.), as well as preparing and processing the payroll.

We recommend that an analysis of the internal control system, including segregation of duties be performed and incompatible duties be performed by different personnel. Specifically, a person independent of processing the invoices and printing checks, should receive the checks from the check signer and mail them to the vendors. The employees responsible for preparing checks and making other entries in the general ledger should not have signature authority on the bank accounts. The functions of receiving and processing receipts should be segregated from the general ledger entry function. The human resource functions should be performed by a person independent of the payroll function and information necessary to prepare the payroll should be forwarded to the person preparing the payroll by the human resources person.

Additionally, we recommend that an independent person complete the bank reconciliations on a monthly basis. Once completed, the reconciliations should be signed and dated by the person completing the reconciliation. To strengthen the controls related to this function, we recommend that an independent person receive the bank statements unopened, review them prior to the reconciliation being completed and review the completed reconciliations. Particular attention should be given to the appropriateness of the reconciling items. Documentation of this review should be included on the bank reconciliations.

Accounting System

The Finance Department implemented a computerized accounting system in the last few years and is transitioning from maintaining its accounting records on manual ledgers to utilizing the computerized accounting system. However, we noted that the accounting transactions related to all of the bank accounts except for the operating account are still not posted in the computerized accounting system and revenues and expenses are misstated due to inconsistent recording of such accounting transactions. Additionally, it does not appear that the accounting personnel have an understanding of the accounting software. Some of the items noted during the audit are:

Since the general ledger is not complete or accurately maintained, periodic financial reports are not presented timely to management and are not reliable. This situation limits management's ability to maintain internal controls and prudent financial management over its operations.

We recommend that all accounting transactions be 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 be provided to accounting personnel.

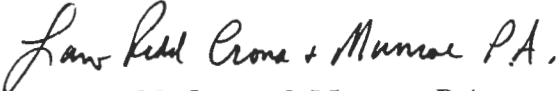
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being 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 the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions for segregation of duties and the accounting system as described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Sheriff of Gadsden County, Florida in a separate letter dated March 31, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff of Gadsden County, Florida's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the Sheriff of Gadsden County, Florida in a separate letter dated March 31, 2006.

We have issued a management letter to the Sheriff of Gadsden County, Florida, dated March 31, 2006, presenting certain required disclosures and comments pursuant to *Rules of the Auditor General*, Chapter 10.550.

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


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



Management Letter

March 31, 2006

The Honorable Sheriff
Gadsden County, Florida

We have audited the special-purpose financial statements of the Sheriff of Gadsden County, Florida, as of and for the year ended September 30, 2005, and have issued our report thereon dated March 31, 2006.

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* and any amendments thereto, 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.

In planning and performing our audit of the special-purpose financial statements of the Sheriff of Gadsden County, Florida, for the year ended September 30, 2005, 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. However, we believe the reportable conditions for segregation of duties and the accounting system described below to be material weaknesses.

Prior Year Findings

The following findings presented in the prior year audit were not corrected during the current year:

Internal Control Findings:

- Lack of segregation of duties.
- Lack of understanding and utilization of the existing accounting system.
- Lack of audit trail for cash used for investigation and drug buys.

Compliance Findings:

- Semi-annual reports required to be filed with the Florida Department of Law Enforcement regarding receipt and expenditure of forfeited property or proceeds from the sale of forfeited property were not filed timely with the Florida Department of Law Enforcement. *Florida Statute 932.7055(9)(a)*
- All fees, commissions or other funds collected by the Sheriff's Office for services rendered or performed were not remitted monthly to the Board of County Commissioners. *Florida Statute 30.51(5)*
- The Sheriff was paid slightly over the salary in accordance with *Florida Statute 145.071(1)* due to an error in the payroll administration. *Florida Statute 145.071*
- A bank account is maintained for fees earned for service of summons, subpoenas and executions but records do not include tracking expenses relating to the service of process. *Florida Statute 30.231(2)*
- The unclaimed proceeds of sales or bond and evidence monies were not transferred to the fine and forfeiture fund maintained by the Board of County Commissioners on or before September 25th. *Florida Statutes 56.275 and 116.21*

Budget, Year-End Reporting and Other Issues

The following budget related items were noted:

- The Sheriff's books were held open for more than 30 days after the end of the year. *Florida Statute 30.50(5)*
- An annual report that complies with *Florida Statutes* was not submitted to the Board of County Commissioners within 31 days of the close of the fiscal year. The excess funds were not remitted to the Board of County Commissioners on or before the due date of the report. *Florida Statutes 30.50(6) and 218.36*

Towing and Impound Fees

The Sheriff must have the legal authority to collect fees for the towing and impounding of vehicles resulting from a seizure of property during an arrest. This authority may be granted by Florida State or local ordinance. The Sheriff collected towing and impound fees during the year ended September 30, 2005; however, we were not provided documentation of the legal authority. We recommend that the Sheriff determine if there is legal authority to support the fee collection. In

addition, we recommend that the Sheriff remit collections of these funds to the Board of County Commissioners law enforcement trust fund in accordance with *Florida Statutes*.

Miscellaneous Items

- Checks were used out of sequence. Additionally, there were several instances where the check numbers recorded in the general ledger did not agree with the actual check number.
- The new inmate trust account is comprised of checks issued to inmates but returned to the Sheriff's Office due to non-delivery. These checks may be considered abandoned property; therefore, the process required in *Florida Statutes* should be followed.
- In seventeen of the twenty five payroll transactions tested, the payroll rates used to pay the employees differed from the pay rates in the personnel files. We also noted several instances where employee timesheets were not signed by either the employee or supervisor.
- Cash receipt forms were not used on a consistent basis during the fiscal year, which weakened the internal control system relative to cash receipts and revenue.

The following prior year findings were partially corrected in the current year:

Internal Control Findings:

Last year we reported that the bank reconciliations were not completed. This year, the bank reconciliations were completed for all accounts, but not always on a timely basis and not by persons independent of accounting functions.

Property System

The Sheriff's Office maintains a fixed asset property system which is updated with fixed asset additions and disposals and which calculates depreciation expense and accumulated depreciation. The following items were noted:

- There was no reconciliation performed between the fixed asset additions and capital outlay expenses.
- A physical inventory of the fixed assets has not been conducted in three years.

We recommend that 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.

Other compliance and budget and year-end reporting issues were reported in the prior year audit and were corrected in the current year.

Current Year Findings

REPORTABLE CONDITIONS

Segregation of Duties (Also included on page 21 in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with Government Auditing Standards*)

An integral part of an accounting system is the design of internal controls and proper segregation of duties. It is important that the internal controls safeguard the organization's assets and properly record the assets, liabilities and activities in an efficient fashion while not becoming unduly burdensome to the organization (e.g. the cost should not outweigh the benefit). During our audit, we noted that Finance personnel are performing functions which are generally considered to be incompatible in a good internal control system. For example, the same person:

1. receives receipts, prepares bank deposits and posts them to the general ledger.
2. receives and processes invoices for payment, prints checks, mails the checks to the vendors and prepares the bank account reconciliations. Additionally, this person was an authorized check signer.
3. performs some human resource functions (e.g. gives new hires the benefit forms and answers questions about the employee benefits, etc.), as well as preparing and processing the payroll.

We recommend that an analysis of the internal control system, including segregation of duties be performed and incompatible duties be performed by different personnel. Specifically, a person independent of processing the invoices and printing checks, should receive the checks from the check signer and mail them to the vendors. The employees responsible for preparing checks and making other entries in the general ledger should not have signature authority on the bank accounts. The functions of receiving and processing receipts should be segregated from the general ledger entry function. The human resource functions should be performed by a person independent of the payroll function and information necessary to prepare the payroll should be forwarded to the person preparing the payroll by the human resources person.

Additionally, we recommend that an independent person complete the bank reconciliations on a monthly basis. Once completed, the reconciliations should be signed and dated by the person completing the reconciliation. To strengthen the controls related to this function, we recommend that an independent person receive the bank statements unopened, review them prior to the reconciliation being completed and review the completed reconciliations. Particular attention should be given to the appropriateness of the reconciling items. Documentation of this review should be included on the bank reconciliations.

Accounting System (Also included on page 21 in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements Performed in Accordance with Government Auditing Standards*)

The Finance Department implemented a computerized accounting system in the last few years and is transitioning from maintaining its accounting records on manual ledgers to utilizing the computerized accounting system. However, we noted that the accounting transactions related to all of the bank accounts except for the operating account are still not posted in the computerized accounting system and revenues and expenses are misstated due to inconsistent recording of such accounting transactions. Additionally, it does not appear that the accounting personnel have an understanding of the accounting software. Some of the items noted during the audit are:

Since the general ledger is not complete or accurately maintained, periodic financial reports to management are not reliable.

We recommend that all accounting transactions be 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 be provided to accounting personnel.

OTHER MATTERS

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

Policies and Procedures Manual

The accounting policies and procedures (e.g. procedures related to processing cash receipts, procurement, payroll, disbursements and financial management, etc.) are not documented in the form of an accounting manual. We recommend that the accounting policies and procedures be documented in an accounting manual, the manual distributed to all appropriate personnel and training be provided to accounting personnel.

Agency Fund Accounting Records

The checking accounts for five agency fund activities are not maintained on a general ledger. All transactions and account balances should be posted on a current basis to a general ledger to maintain formal accounting records and adequate internal controls.

Compliance Issues

The following compliance items were noted:

- The Sheriff overexpended his budget by \$68,000, which is a violation of Chapters 30.49(2) and 129, *Florida Statutes*. This violation is mitigated by the fact that \$93,000 in compensated absence liabilities that were incurred but not accrued as a liability prior to October 1, 2004, were paid in the 2005 fiscal year.

We recommend that budget documents and the year-end report be 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.

- In April 2005, the Sheriff paid \$11,000 in funeral expenses for the late W.A. Woodham, who retired as Sheriff in November 2004. Article VII, Section 10 of the *Florida Constitution* prohibits the State and its subdivisions (counties) from using their taxing power or pledging public credit to aid any private person or entity. Florida Courts and Attorney General's opinions have previously held that the expenditure of public funds must satisfy or serve a paramount public purpose.

We recommend that the Sheriff seek a determination of whether or not an expenditure of this nature serves a paramount public purpose.

Miscellaneous Items

Following is a summary of other matters noted during the course of the audit:

- We noted five instances in our test of cash disbursements in which supporting documentation was not available to corroborate the expenditures.

We recommend that processes be 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.

ADDITIONAL DISCLOSURES

We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 31, 2006, should be considered in conjunction with this management letter.

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 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 audit report included various findings and recommendations, which are addressed under the caption "prior year findings" in this management letter.

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 special-purpose 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 Special-Purpose Financial Statements.

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


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

Sheriff



Morris A. Young

Gadsden County

PHONE (850) 627-9233

P.O. BOX 1709
QUINCY, FLORIDA 32353-1709

June 27, 2006

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

Dear Mr. Law:

After reviewing the management letter comments regarding the audit performed by your firm for the fiscal year end September 30, 2005, we would like to respond as follows:

To address the issues, one must understand the concept and current strategy plan for the business operations as a whole of the Gadsden County Sheriff's Office.

When this current administration took office, the financial section was operated on a day-to-day basis with an emphasis on individual funding sources and the main goal was fulfilling the day-to-day operational needs. Now the 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.

In late August of 2005, a consultant was hired to assist in evaluating and directing a major overhaul of the financial business operations infrastructure. This will greatly impact how the Gadsden County Sheriff's Office conducts business.

Steps that have either been implemented or are in the process of implementation thus far:

- Timely bank reconciliations
- Monthly financial statements that incorporate all sources of income
- Filing systems implemented for all of the funding sources and vendors
- Project tracking spreadsheets for each source of funding
- New personnel added with education and experience in the area of accounting
- Better understanding of the Great Plain Accounting system currently utilized
- Calendar of due dates established that address timing issues of required reports
- Executive monthly summaries
- Comprehensive tracking of grant funding requirements and programmatic reporting
- Meetings to establish relationships with funding agencies such as the Gadsden County Board of County Commissioners, the Gadsden County Clerk's Office and state agencies that foster better communication and efficient use of time.
- Standardize journal entries

- Training on specific regulations of governing entities
- Segregation of duties and functions
- Written desk procedures
- Cross training of finance employees
- Written clarification of issues regarding payroll and personnel duties

Below is our response to the areas of concern addressed in the management letter.

Segregation of Duties

Finding:

Finance personnel are performing functions, which are generally considered to be incompatible in a good internal control system. For example, the same person:

1. receives receipts, prepares bank deposits and posts them to the general ledger.
2. receives and processes invoices for payment, prints checks, mails the checks to the vendors and prepares the bank account reconciliations. Additionally, this person was an authorized check signer.
3. performs some human resource functions (e.g. gives new hires the benefit forms and answers questions about the employee benefits, etc.), as well as preparing and processing the payroll.

Recommendation:

Analysis of the internal control system, including segregation of duties and incompatible duties be performed by different personnel. Specifically, a person independent of processing the invoices and printing checks should receive the checks from the check signer and mail them to the vendors. The employees responsible for preparing checks and making other entries in the general ledger should not have signature authority on the bank accounts. The functions of receiving and processing receipts should be segregated from the general ledger entry function. The human resource functions should be performed by a person independent of the payroll function and information necessary to prepare the payroll should be forwarded to the person preparing the payroll by the human resources person.

Additionally, a recommendation was made that would have an independent person complete the bank reconciliations on a monthly basis. Once completed, the reconciliations should be signed and dated by the person completing the reconciliation. To strengthen the controls related to this function, we recommend that an independent person receive the bank statements unopened, review them prior to the reconciliation being completed and review the completed reconciliations. Particular attention should be given to the appropriateness of the reconciling items. Documentation of this review should be included on the bank reconciliations.

Management's Response:

We agree that internal control is vital to the financial operation of an organization. The Gadsden County Sheriff's Finance Office is currently staffed with two full-time employees and a part-time consultant (CPA). We are adding an additional full-time accounting position to insure proper segregation of duties in the Finance Office, effective immediately. All human resource functions performed by the Finance Office are now performed by the Personnel Office.

Accounting System

Finding:

The Finance Department implemented a computerized accounting system in the last few years and is transitioning from maintaining its accounting records on manual ledgers to utilizing the computerized accounting system. However, it was noted that the accounting transactions related to all of the bank accounts except for the operating account are still not posted in the computerized accounting system and revenues and expenses are misstated due to inconsistent recording of such accounting transactions. Additionally, it does not appear that the accounting personnel have an understanding of the accounting software. Some of the items noted during the audit are:

Since the general ledger is not complete or accurately maintained, periodic financial reports to management are not reliable.

Recommendation:

All accounting transactions be 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 be provided to accounting personnel.

Management Response:

Monthly financial statements are currently being formatted in the accounting software system to incorporate all sources of income. Finance staff is obtaining a better understanding of the current accounting software system through online training courses. All transactions are now recorded in the accounting software system on a timely basis.

Mr. Richard Law
June 27, 2006
Page 4

Policies and Procedures Manual

Finding:

The accounting policies and procedures (e.g. procedures related to processing cash receipts, procurement, payroll, disbursements and financial management, etc.) are not documented in the form of an accounting manual.

Recommendation:

An accounting policies and procedures be documented in an accounting manual, the manual distributed to all appropriate personnel and training be provided to accounting personnel.

Management Response:

New policies and procedures are in the stage of being developed. The policies and procedures will document the new internal financial system processes and specify the internal control features.

Agency Fund Accounting Records

Finding:

The checking accounts for five agency fund activities are not maintained on a general ledger. All transactions and account balances should be posted on a current basis to a general ledger to maintain formal accounting records and adequate internal controls.

Recommendation:

Management Response:

All agency checking accounts have been added to the accounting software system and will be maintained on the general ledger and reported on the financial statements.

Compliance Issues

Finding:

The Sheriff over expended his budget by \$68,000, which is a violation of Chapters 30.49(2) and 129, *Florida Statutes*. This violation is mitigated by the fact that \$93,000 in compensated absence liabilities that were incurred but not accrued as a liability prior to October 1, 2004, were paid in the 2005 fiscal year.

Recommendation:

Budget documents and the year-end report be 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:

As the newly elected Sheriff, I assumed my office on October 1, 2004 with an operating budget that had \$93,000 in compensated absence liabilities. These liabilities from the prior administration were occasioned by the resignation/retirement of six or seven long-serving, high-level officers with a vast amount of accumulated annual and sick leave. Further, we had on-going existing contracts with outside vendors that involved prior purchases that became due under my tenure. In essence, the funds, which covered these liabilities, were already a charge against my 2005 fiscal year budget before I took office. As a result of these expenditures, my budget was over extended by \$68,000.

The County Commission supplemented my budget for the 2005 fiscal year to only cover reasonable and necessary operating expenses for the remainder of the fiscal year. All subsequent budget requests made by my office to the Gadsden County Commission 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 an over-expenditure such as the one in the 2005 fiscal year. We are also taking measures to ensure that the necessary documents are submitted to the Board of County Commissioners in a timely manner.

Finding:

In April 2005, the Sheriff paid \$11,000 in funeral expenses for the late W.A. Woodham, who retired as Sheriff in November 2004. Article VII, Section 10 of the *Florida Constitution* prohibits the State and its subdivisions (counties) from using their taxing power or pledging public credit to aid any private person or entity. Florida Courts and Attorney General's opinions have previously held that the expenditure of public funds must satisfy or serve a paramount public purpose.

Recommendation:

The Sheriff seeks a determination of whether or not an expenditure of this nature serves a paramount public purpose.

Management Response:

In accordance with the recommendation, I have sought a determination of whether an expenditure of this nature serves a public purpose. My attorneys have advised me that under the circumstances of this case, the unique facts arguably place this expenditure within the parameters of the definition of public purpose. Sheriff Woodham, my predecessor, was highly regarded by the citizens of this great county and provided exceptional public service in such position for over 30 years. Since there was a great deal of public desire to express appreciation for the many years of service of the late Sheriff, I authorized funds for his funeral expenses. I thought that such an act would be a fitting tribute on behalf of my office and the citizens of Gadsden County of our appreciation for his dedicated service. It was my feeling then as it is now that this expenditure, although unique, served a public purpose. As such, the expenditure was made.

Cash Disbursements

Finding:

Five instances in the test of cash disbursements in which supporting documentation was not available to corroborate the expenditures.

Recommendation:

Processes be 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.

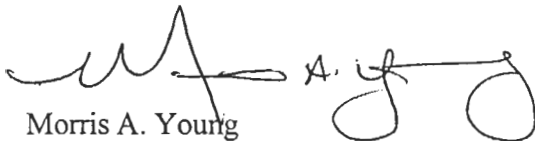
Mr. Richard Law
June 27, 2006
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Management Response:

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, abandoned property guidelines are followed, computer backups are maintained off-site and that pay rates are appropriately documented and timesheets properly signed and approved. 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. Computer backups are maintained off-site. A new computer server and backup system is being currently installed at the Sheriff's office. The Personnel Office is addressing the issue of pay rates and time sheet to make sure there is proper documentation.

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 'Morris A. Young', with a stylized flourish at the end.

Morris A. Young
Gadsden County Sheriff

MAY: kp

Special-Purpose Financial Statements

Supervisor of Elections
Gadsden County, Florida

September 30, 2005
With Report of Independent Auditors



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

**Supervisor of Elections
Gadsden County, Florida**

Special-Purpose Financial Statements

Year Ended September 30, 2005

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

Report of Independent Auditors

March 20, 2006

The Honorable Supervisor of Elections
Gadsden County, Florida

We have audited the accompanying special-purpose financial statements of the Supervisor of Elections of Gadsden County, Florida as of and for the year ended September 30, 2005, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Supervisor of Elections of Gadsden County, Florida's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

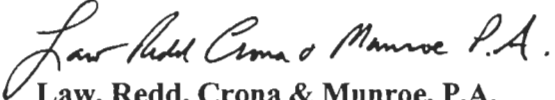
As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes* and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position of Gadsden County, Florida, as of September 30, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Supervisor of Elections of Gadsden County, Florida as of September 30, 2005, and the results of the General Fund's operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2006 on our consideration of the Supervisor of Elections of Gadsden County, Florida's internal control over financial reporting and on 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.

This report is intended solely for the information and use of the Supervisor of Elections and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.


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

Supervisor of Elections
Gadsden County, Florida

Balance Sheet
General Fund

September 30, 2005

Assets	
Cash	<u>\$ 0</u>
Liabilities	
Accounts Payable	\$ 0
Fund Balance	<u> 0</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>

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

Supervisor of Elections
Gadsden County, Florida

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

Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures				
General government:				
Personal services	225,579	237,482	238,968	(1,486)
Operating expenditures	135,300	129,715	116,063	13,652
Capital outlay	15,000	8,682	0	8,682
Total expenditures	<u>375,879</u>	<u>375,879</u>	<u>355,031</u>	<u>20,848</u>
Excess of expenditures over revenues	(375,879)	(375,879)	(355,031)	20,848
Other financing sources (uses)				
Transfers in	<u>375,879</u>	<u>375,879</u>	<u>355,031</u>	<u>(20,848)</u>
Net change in fund balance	0	0	0	0
Fund balance, beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Supervisor of Elections
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies

The accounting policies of the Gadsden County, Florida, Supervisor of Elections (the Supervisor of Elections) conform to generally accepted accounting principles (GAAP), as applicable to governments. The following is a summary of significant accounting principles and policies used in the preparation of these special-purpose financial statements.

Reporting Entity

Gadsden County, Florida is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and an appointed County Administrator, as provided by Section 125.73, *Florida Statutes*. The County Administrator is responsible for the administration of all departments of which the Board has the authority to control pursuant to the general laws of Florida.

The Supervisor of Elections is an elected official of Gadsden County, Florida pursuant to the *Constitution of the State of Florida*, Article VIII, Section 1(d), and is a part of the primary government of Gadsden County, Florida. The Board approves the Supervisor of Elections' total operating budget and is responsible for accounting for expenditures. The Supervisor of Elections is responsible for the administration and operation of the Supervisor of Elections' office. The financial statements contained herein include only the funds of the Supervisor of Elections' office. There are no separate legal entities (component units) for which the Supervisor of Elections is considered to be financially accountable.

The operations of the Supervisor of Elections are funded by the Board. The receipts from the Board are recorded as other financing sources on the Supervisor of Elections' financial statements and as other financing uses on the Board's financial statements.

Basis of Presentation

These special-purpose financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the Auditor General, State of Florida. The Supervisor of Elections utilizes the following fund type:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of the Supervisor of Elections. It is used to account for all financial resources, except those required to be accounted for in another fund.

Supervisor of Elections
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and refers to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is followed by the General Fund. Under the modified accrual basis of accounting, revenues are recognized when they are received in cash or when they become both measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred and/or will be paid from expendable available financial resources, except for accumulated sick and vacation pay, which are not recorded until paid.

Measurement Focus

The accounting and financial reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. The General Fund is accounted for on a spending or “financial flow” measurement focus. This means that generally, only current assets and current liabilities are included in the balance sheet. General Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “available spendable resources” during a period.

Budgetary Requirements

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with the *Florida Statutes*. An annual budget is prepared by the Supervisor of Elections and adopted by the Board for the General Fund.

The Supervisor of Elections' annual budget is monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total annual budget appropriations at the individual fund level. All appropriations lapse at year-end.

Budget to actual comparisons are provided in the financial statements for the general fund. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized amendments of the annual budget for the year. Budgets are prepared on the modified accrual basis of accounting.

Capital Assets

Tangible personal property is recorded as expenditures in the General Fund at the time an asset is acquired. Assets acquired by the Supervisor of Elections are capitalized at cost in the capital asset

Supervisor of Elections
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

accounts of the County. The Supervisor of Elections maintains custodial responsibility for the capital assets used by her office.

Accumulated Compensated Absences

Permanent full-time employees of the Supervisor of Elections are entitled to accrue unlimited hours of sick leave and 240 hours of vacation time. Upon termination, employees can be paid up to 240 hours of vacation time and up to one-fourth of unused sick time, with the payment of one-fourth of unused sick time being subject to three years of consecutive employment.

The Supervisor of Elections' accumulated compensated absences are reported in the statement of net assets in the County's financial statements.

Risk Management

The Supervisor of Elections 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/or the public; or damage to property of others. The Supervisor of Elections participates in the risk management program through the Gadsden County Board of County Commissioners which uses commercial insurance and a public entity risk pool to cover certain risks from loss.

The Board obtained commercial insurance against losses for the following types of risk:

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

The Board 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.

Use of Estimates

The preparation of special-purpose financial statements in conformity with GAAP requires management to make use of estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the special-purpose financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Supervisor of Elections
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

2. Cash

As of September 30, 2005, the carrying amount of the Supervisor of Elections' deposits was zero.

Credit Risk

Chapter 218.415(17), *Florida Statutes*, stipulates the State-approved investment policy for all governmental entities and includes the following investments:

1. The Local Government Surplus Funds Trust Fund, administered by the State Board of Administration;
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

The Supervisor of Elections does not have an investment policy that would further limit its investment choices.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure the government's deposits may not be returned to it.

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 Supervisor of Elections' deposits are therefore considered fully insured or collateralized.

3. Employee Benefits

Pension Plan

In accordance with Florida law, the Supervisor of Elections participates in the Florida Retirement System (the System), which presently covers all qualified Gadsden County Supervisor of Elections

Supervisor of Elections
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

3. Employee Benefits (continued)

employees. This System was created by the Florida Legislature and is administered by the State of Florida, Department of Administration, Division of Retirement and is a cost-sharing, multiple-employer defined benefit public retirement plan available to governmental units within the state of Florida. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Florida Retirement System, Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling (850) 488-5706.

All Supervisor of Elections employees are eligible to participate in the System. The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after they have met one of the following: 1) after thirty years of service, regardless of age; 2) six years of service and age 62; or 3) twenty-five years special risk service (age 55 if not continuous). Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the five highest years of earnings. The System also provides death benefits, disability benefits and annual cost-of-living adjustments. Benefits are established by *Florida Statutes*.

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers, such as the Supervisor of Elections, are required to contribute 7.83% of the compensation for regular members and 15.23% for elected officials. The Supervisor of Elections' contributions to the System for the years ended September 30, 2005, 2004, and 2003 were \$18,271, \$14,789, and \$10,155, respectively, equal to the required contributions for each year.

4. Changes in Long-Term Obligations

The following is a summary of the changes in long-term obligations of the Gadsden County Supervisor of Elections for the year ended September 30, 2005:

	Balance			Balance
	October 1, 2004	Additions	Retirements	September 30, 2005
Liability for compensated absences	\$ 14,038	\$ 3,288	\$ 609	\$ 16,717

The portion of the compensated absences liability estimated to be paid during the next year (current portion) is \$537.



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 Special-Purpose Financial Statements
Performed in Accordance with *Government Auditing Standards***

March 20, 2006

The Honorable Supervisor of Elections
Gadsden County, Florida

We have audited the special-purpose financial statements of the Supervisor of Elections of Gadsden County, Florida as of and for the year ended September 30, 2005, and have issued our report thereon dated March 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Supervisor of Elections of Gadsden County, Florida's 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 the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements caused by error 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisor of Elections of Gadsden County, Florida's special-purpose 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*.

We have issued a management letter to the Supervisor of Elections of Gadsden County, Florida, dated March 20, 2006, presenting certain required disclosures and comments pursuant to *Rules of the Auditor General*, Chapter 10.550.

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


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



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

Management Letter

March 20, 2006

The Honorable Supervisor of Elections
Gadsden County, Florida

We have audited the special-purpose financial statements of the Supervisor of Elections of Gadsden County, Florida as of and for the year ended September 30, 2005, and have issued our report thereon dated March 20, 2006.

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.

In planning and performing our audit of the special-purpose financial statements of the Supervisor of Elections of Gadsden County, Florida, for the year ended September 30, 2005, we considered its compliance with laws, rules, regulations and contractual provisions and 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.

We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 20, 2006, should be considered in conjunction with this management letter.

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 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. No findings or recommendations were reported in the preceding annual financial report.

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 or abuse 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 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 special-purpose 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 Special-Purpose Financial Statements.

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 report is intended solely for the information and use of the Supervisor of Elections of Gadsden County, Florida and the Auditor General, State of Florida and is not intended to be and should not be used by anyone other than these specified parties.


Law, Redd, Crona & Munroe, P.A

No response required.

Special-Purpose Financial Statements

Tax Collector
Gadsden County, Florida

September 30, 2005
With Report of Independent Auditors



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

**Tax Collector
Gadsden County, Florida**

Special-Purpose Financial Statements

Year Ended September 30, 2005

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

Report of Independent Auditors

February 9, 2006

The Honorable Tax Collector
Gadsden County, Florida

We have audited the accompanying special-purpose financial statements of the Tax Collector of Gadsden County, Florida, as of and for the year ended September 30, 2005, as listed in the table of contents. These special-purpose financial statements are the responsibility of the management of the Tax Collector of Gadsden County, Florida. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed at Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes* and Section 10.557(5), *Rules of the Auditor General for Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position of Gadsden County, Florida, as of September 30, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and Agency Fund of the Tax Collector of Gadsden County, Florida, as of September 30, 2005, and the results of the General Fund's operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2006 on our consideration of the Tax Collector of Gadsden County, Florida's internal control over financial reporting and on 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.

This report is intended solely for the information and use of the Tax Collector and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.


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

Tax Collector
Gadsden County, Florida

Balance Sheet
General Fund

September 30, 2005

Assets

Cash & investments	\$ 74,675
Due from other funds	3,325
Due from other county units	138
Total assets	<u>\$ 78,138</u>

Liabilities and fund balance

Liabilities:

Accounts payable and accrued liabilities	\$ 947
Due to other county units	76,981
Due to other governments	210
Total liabilities	<u>78,138</u>

Fund balance:

Fund balance	0
Total liabilities and fund balance	<u>\$ 78,138</u>

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

Tax Collector
Gadsden County, Florida

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

Year Ended September 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 604,535	\$ 604,535	\$ 640,652	\$ 36,117
Total revenues	<u>604,535</u>	<u>604,535</u>	<u>640,652</u>	<u>36,117</u>
Expenditures				
Current				
General government:				
Personal services	438,143	436,395	417,324	19,071
Operating	131,054	135,233	135,168	65
Capital outlay	1,000	11,191	11,179	12
Total expenditures	<u>570,197</u>	<u>582,819</u>	<u>563,671</u>	<u>19,148</u>
Excess of revenues over expenditures	<u>34,338</u>	<u>21,716</u>	<u>76,981</u>	<u>55,265</u>
Other financing uses				
Transfers out	(34,338)	(21,716)	(76,981)	(55,265)
Total other financing uses	<u>(34,338)</u>	<u>(21,716)</u>	<u>(76,981)</u>	<u>(55,265)</u>
Net change in fund balance	0	0	0	0
Fund balance, at beginning of year	0	0	0	0
Fund balance, at end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Tax Collector
Gadsden County, Florida

Statement of Fiduciary Assets and Liabilities
Agency Fund

September 30, 2005

Assets

Cash & investments	\$ 358,612
Accounts receivable	410
Due from other governments	220
Total assets	<u>\$ 359,242</u>

Liabilities

Accounts payable	\$ 89,927
Due to other funds	3,325
Due to other county units	2,978
Due to other governments	46,572
Installment tax deposits	216,440
Total liabilities	<u>\$ 359,242</u>

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

Tax Collector
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies

Reporting Entity

The Tax Collector operates as a County agency and an elected Constitutional Officer of Gadsden County pursuant to Article VIII, Section (1) of the *Constitution of the State of Florida*. For financial statement and reporting purposes, the Tax Collector is a separate Constitutional Officer as provided by Chapter 218 of *Florida Statutes*. The Tax Collector is considered to be a part of the primary government of Gadsden County, Florida, and is included in the Gadsden County annual financial report, along with the other Constitutional Officers and the Gadsden County Board of County Commissioners (the Board). The financial statements contained herein represent the financial transactions of the Tax Collector only. There are no component units for the Tax Collector to consider for inclusion in these special-purpose financial statements.

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

Basis of Presentation

These special-purpose financial statements are fund financial statements that have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB) and accounting practices prescribed by the Auditor General, State of Florida.

Description of Funds

The financial activities of the Tax Collector are recorded in separate funds which are categorized and described as follows:

Governmental Fund Type

- General Fund — The General Fund is the general operating fund of the Tax Collector. This fund is used to account for all financial transactions not required to be accounted for in another fund.

Tax Collector
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

Fiduciary Fund Type

- Agency Fund — The Agency Fund is used to account for assets held by the Tax Collector as an agent for individuals, private organizations and/or other governmental units. These are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such assets include receipts for property taxes, vehicle registrations and sales tax, and hunting and fishing licenses.

Basis of Accounting

Basis of accounting refers to the method by which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the General Fund and Agency Fund are maintained on the modified accrual basis. Under the modified accrual basis, revenues are recognized when they are received in cash or when they are considered both measurable and available and as such, are susceptible to accrual. Expenditures are recorded when the liability is incurred and/or will be paid from expendable available financial resources.

The Tax Collector considers receivables collected within 30 days after year end to be available and susceptible to accrual as revenues of the current year. The following major revenues are considered susceptible to accrual: charges for services and interest earned.

Budgets and Budgetary Accounting

Florida Statutes, Chapter 195.087, governs the preparation, adoption and administration of the annual budget of the Tax Collector. The budget and subsequent budget amendments of the Tax Collector are submitted to the Florida Department of Revenue for approval. A copy of the budget is provided to the Board.

Tax Collector
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

Line item expenditures in excess of budget are authorized to the extent that total expenditures do not exceed the total budgeted expenditures. Budget transfers between appropriation categories (personal services, operating expenses, capital outlay and non-operating) must be approved in writing by the Florida Department of Revenue. Transfers between expense items within the same appropriation category do not need written approval from the Florida Department of Revenue. The budget is prepared on the modified accrual basis of accounting. General Fund appropriations lapse at the close of the fiscal year to the extent they have not been expended. The budgeted revenues and expenditures in the accompanying statement of revenues, expenditures and changes in fund balance – budget and actual, reflect all approved amendments.

Investments

The Tax Collector follows Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with Statement No. 31, the Tax Collector's investments in repurchase agreements are reported at fair value.

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.

Capital Assets

Capital assets purchased in the governmental fund type are recorded as expenditures (capital outlay) at the time of purchase. Capital assets acquired under capital leases are recorded, at cost, as capital outlay expenditures and other financing sources at the inception of the capital lease. The tangible personal property used by the Tax Collector is reported as capital assets, at cost, in the statement of net assets in the government-wide financial statements of Gadsden County, Florida.

Tax Collector
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

The Tax Collector also utilizes certain computer equipment and software for vehicle and boat registrations, which belongs to the Florida Department of Highway Safety & Motor Vehicles (DMV) and software licensed to the State of Florida Fish and Wildlife Conservation Commission (FFWCC). The cost of this equipment is not recognized in the statement of net assets of the County as title to the equipment is held by DMV and FFWCC.

Liability for Compensated Absences

It is the Tax Collector's policy to grant all full time employees annual and sick leave. Annual leave can be accumulated but is limited to an accumulation of 240 hours at the end of each calendar year. Excess annual leave at December 31 is converted to sick leave. There is no limitation on the accumulation of sick leave. Upon termination of employment, the employee can receive a cash benefit for certain balances of their annual and sick leave based upon the employee's current wage rate. The maximum payout of annual leave will not exceed 240 hours. After five years of employment, sick leave in excess of 240 hours is paid out at 15%; 25% after 15 years of employment.

The Tax Collector does not, nor is he legally required to, accumulate expendable available financial resources to liquidate these obligations. Accordingly, the liability for compensated absences is not reported in the General Fund, but is included in the statement of net assets in the government-wide financial statements of Gadsden County, Florida.

Excess Fees

The Tax Collector is considered a fee officer because operations are funded primarily by fees for services. No funds are received from the Board other than applicable fees. In accordance with *Florida Statutes*, the Tax Collector distributes all general fund revenues in excess of expenditures to the Board of County Commissioners and other ad valorem taxing authorities on a pro-rata basis of fees collected, within 31 days following the end of the fiscal year. These excess fees are reported as a liability and as transfers out to the Board of County Commissioners or deducted from fees earned for amounts distributed to other governments.

Tax Collector
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

1. Summary of Significant Accounting Policies (continued)

Related Organizations – Service Fees and Common Expenses

The Tax Collector's charges for services includes approximately \$360,018 received from the Board of County Commissioners as fees for real and tangible property tax collections.

Certain expenses, which are common to the Board and all Constitutional Officers, are reported as expenses of the Board and, therefore, are not budgeted by or allocated to the Tax Collector. These expenses paid by the Board relating to the Tax Collector's operations are:

- Occupancy costs
- Janitorial service
- Utilities (except telephone)
- Property and worker's compensation insurance
- Employees' health and life insurance

2. Cash and Investments

As of September 30, 2005, the Tax Collector had the following in cash and investments:

	Carrying Amount
Cash on Hand	\$ 525
Deposits in Qualified Public Depositories	211,936
Overnight Repurchase Agreement	220,826
Total Cash and Investments	<u>\$433,287</u>

Credit Risk

Florida Statutes, Chapter 218.415(17), stipulates the State-approved investment policy for all governmental entities and includes the following investments:

1. The Local Government Surplus Funds Trust Fund administered by the State Board of Administration;

Tax Collector
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

2. Cash and Investments (continued)

2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency;
3. Interest-bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

The Tax Collector has no investment policy that would further limit its investment choices.

The securities used by the financial institution to pledge against the Tax Collector's overnight repurchase agreement at September 30, 2005, 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 a bank failure, or the failure of the counterparty, the government's deposits may not be returned to it, or 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 Tax Collector's deposits are therefore considered fully insured or collateralized. Bank deposit balances at September 30, 2005 were \$87,568.

The Tax Collector's investments in the overnight repurchase agreement are uninsured and unregistered, with securities held by the counterparty or its trust department or agent but not in the Tax Collector's name.

Tax Collector
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

2. Cash and Investments (continued)

Interest Rate Risk

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

Effective October 1, 2005, the Tax Collector executed a new banking contract; wherein all Tax Collector funds in excess of a compensating balance requirement of \$228,000 are invested in an interest bearing demand deposit account, which is collateralized pursuant to Section 280.04, *Florida Statutes*. The account earns a variable rate of interest equal to the bank's Federal Funds rate less .5%, determined on a monthly basis.

3. Employees' Retirement Plan

All full-time and permanent part-time employees of the Tax Collector participate in the Florida Retirement System ("System"), a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS) administered by the State of Florida, Department of Management Services, Division of Retirement.

Information as to benefits, contribution rates and vesting requirements by membership category, is provided in the countywide financial statements of Gadsden County, Florida. Contributions and benefits are established by Section 121.71, *Florida Statutes*.

Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required. The contributions paid for the years ended September 30, 2005, 2004 and 2003 were \$36,012, \$34,671, and \$28,450, respectively, which is equal to the required contribution for each year.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling 850-488-5706.

Tax Collector
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

4. Risk Management

The Tax Collector participates in the risk management program through the Gadsden County Board of County Commissioners, which uses commercial insurance and a public entity risk pool to cover certain risks from loss.

The Board obtained commercial insurance against losses for Real and Personal Property Damage, Public Employees' Bond, Workers' Compensation, and Automobile Liability.

The Board 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.

5. Long-Term Liabilities

A summary of changes in the Tax Collector's liability for compensated absences is as follows:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2005</u>
Liability for compensated absences	\$ 16,936	\$ 27,499	\$ 14,725	\$ 29,710

Of the \$29,710 liability for accrued compensated absences, management estimates that \$7,024 will be due and payable within one year. The above liabilities are not reported in the financial statements of the Tax Collector since they are not payable from available resources at September 30, 2005. As discussed in Note 1, they are reported in the statement of net assets in the government-wide financial statements of Gadsden County, Florida.

During the fiscal year ended September 30, 2005, the Tax Collector amended his policy on termination benefits for sick leave (see Note 1), which increased the liability for compensated absences.

Tax Collector
Gadsden County, Florida

Notes to Special-Purpose Financial Statements

September 30, 2005

6. Interfund Receivables and Payables

The agency fund due to the general fund of \$3,325 consists of fees on transactions collected by the agency fund. These funds were paid shortly after the fiscal year end.

7. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. They do not constitute expenditures or liabilities. The commitments will be honored in the subsequent year. The Tax Collector had no encumbrances outstanding at September 30, 2005.

8. Contingencies

Various suits and claims arising in the ordinary course of operations are pending against the Tax Collector. These primarily relate to property assessments within the County. The ultimate effect of such litigation cannot be ascertained at this time. In the opinion of management for the Tax Collector, the liabilities which may arise from such action would not result in losses which would materially affect the financial position of the Tax Collector or its operations.



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 Special-Purpose Financial Statements
Performed in Accordance with *Government Auditing Standards*

February 9, 2006

The Honorable Tax Collector
Gadsden County, Florida

We have audited the special-purpose financial statements of the Tax Collector of Gadsden County, Florida, as of and for the year ended September 30, 2005, and have issued our report thereon dated February 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

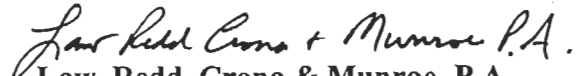
In planning and performing our audit, we considered the Tax Collector of Gadsden County, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 misstatements caused by error 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector of Gadsden County, Florida's special-purpose 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*.

We have noted other matters pursuant to the *Rules of the Auditor General*, Chapter 10.550 that we have reported to the management of the Tax Collector in a separate letter dated February 9, 2006.

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


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



Management Letter

February 9, 2006

The Honorable Tax Collector
Gadsden County, Florida

We have audited the special-purpose financial statements of the Tax Collector of Gadsden County, Florida, as of and for the year ended September 30, 2005, and have issued our report thereon dated February 9, 2006.

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.

In planning and performing our audit of the special-purpose financial statements of the Tax Collector of Gadsden County, Florida, for the year ended September 30, 2005, we considered its compliance with laws, rules, regulations and contractual provisions and 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 compliance or internal control over financial reporting.

We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated February 9, 2006, should be considered in conjunction with this management letter.

Additional Disclosures in Accordance with Section 10.550, *Rules of the Auditor General*

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 Report on Internal Control over Financial Reporting and on Compliance and Other Matters. The comments which follow are reported pursuant to those provisions.

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. We disclosed a reportable condition in our prior year report on internal control over financial reporting and on compliance and other matters. The recommendations made in the preceding annual financial report have been implemented by the Tax Collector.

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 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 Special-Purpose Financial Statements. The name or official title and legal authority for the primary government of the reporting entity is disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Tax Collector has no component units.

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 report is intended solely for the information and use of management of the Tax Collector of Gadsden County, Florida and the Auditor General, State of Florida and is not intended to be and should not be used by anyone other than these specified parties.


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

Independent Auditor's Required Disclosure in Accordance with *Government Auditing Standards*

You have engaged us to conduct an audit of the Tax Collector, Gadsden County, Florida's special-purpose financial statements for the year ended September 30, 2005 in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* and any amendments thereto, issued by the Comptroller General of the United States. Our responsibilities for testing and reporting on internal controls and on compliance with applicable laws and regulations under those standards are described in the table below. In addition, the table contrasts our responsibilities in this engagement with other procedures that could be performed in other financial-related audits.

Service That We Could Provide	Our Responsibility Regarding Internal Controls	Our Responsibility Regarding Compliance with Laws and Regulations
Financial statement audit—GAAS	We consider internal control to plan the nature, timing and extent of audit procedures for the purpose of expressing our opinion on the financial statements. We report, orally or in writing, any reportable conditions, including material weaknesses that we identify as a result of our audit procedures. Our report does not provide assurance on internal control over financial reporting.	We design the audit to provide reasonable assurance of detecting fraud that is material to the financial statements and illegal acts that have a direct and material effect on the financial statement amounts.
Financial statement audit— <i>Government Auditing Standards</i>	In addition to the GAAS responsibilities, we are required to issue a written report on our consideration of internal control and identify reportable conditions, including material weaknesses, if any. Our reports do not provide assurance on internal control over financial reporting.	In addition to the GAAS responsibilities, we design our audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct and material effect on the financial statements. We issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.
Examination-level attestation	We could be engaged to examine and report on management's written assertion as to the design and operating effectiveness of internal control. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include an evaluation of the design of the entity's internal control, and performing tests of relevant internal control policies and procedures to evaluate their operating effectiveness.	We could be engaged to examine and report on management's written assertion regarding compliance. The engagement could be conducted at the financial statement level, or could result in a determination as to whether all federal programs have been administered in accordance with applicable laws and regulations. The engagement would be conducted in accordance with AICPA standards for attestation engagements, and would include obtaining an understanding of the design of the entity's internal control over compliance, and testing compliance with specified requirements.
Agreed-upon procedures level attestation	We could be engaged to perform agreed-upon procedures related to management's written assertions as to the design and operating effectiveness of internal control. The objective of the agreed-upon procedures is to present specific findings to assist users in evaluating management's assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.	We could be engaged to perform agreed-upon procedures related to management's written assertion regarding compliance. The objective of the agreed-upon procedures is to present specific findings to assist users in evaluating management's assertions. Our procedures generally may be as limited or extensive as the users desire as long as the users (a) participate in establishing the procedures to be performed and (b) take responsibility for the sufficiency of such procedures for their purposes.

No response required.