

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS**

GADSDEN COUNTY, FLORIDA

SEPTEMBER 30, 2012

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS
GADSDEN COUNTY, FLORIDA
SEPTEMBER 30, 2012**

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**FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORTS
GADSDEN COUNTY, FLORIDA
SEPTEMBER 30, 2012**

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(Concluded)**

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the Provisions of the Office of Management and Budget (OMB) Circular A-133;
the *Rules of the Auditor General* of the State of Florida; and Other**

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INTRODUCTORY SECTION

GADSDEN COUNTY, FLORIDA
LIST OF ELECTED AND APPOINTED OFFICIALS

SERVING AS OF SEPTEMBER 30, 2012

ELECTED OFFICIALS

Commissioner – District 5, Chairperson	Sherrie Taylor
Commissioner – District 3, Vice-Chairperson	Gene Morgan
Commissioner – District 1	Eugene Lamb Jr.
Commissioner – District 2	Douglas M. Croley
Commissioner – District 4	Brenda Holt
Clerk of the Circuit Court/Comptroller	Nicholas Thomas
Tax Collector	W. Dale Summerford
Sheriff	Morris A. Young
Property Appraiser	Clay VanLandingham
Supervisor of Elections	Shirley Green Knight

APPOINTED OFFICIALS

County Administrator	Arthur Lawson
County Attorney	Deborah S. Minnis

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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 aggregate remaining fund information of Gadsden County, Florida, (the County), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion 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 opinions.

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 the County as of September 30, 2012, and the respective changes in financial position, thereof, and the respective budgetary comparison of the general fund and each major special revenue fund, 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 27, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

Certified Public Accountants

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The introductory section and the combining nonmajor fund statements are presented for purposes of additional analysis, and is not a required part of the 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, is also not a required part of the basic financial statements. The combining nonmajor fund statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund statements and the schedule of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Purvis, Gray and Company, LLP

March 27, 2013
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Gadsden County, Florida, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide Statements

The government-wide assets of the County exceeded liabilities at the close of the 2011-12 fiscal year by \$59,467,786 (*net assets*). Of this amount, \$5,598,656 (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, \$5,496,643 is restricted for specific purposes (*restricted net assets*), and \$48,372,487 is invested in capital, assets net of related debt.

Fund Statements

At September 30, 2012, the County's governmental funds reported combined ending fund balances of \$13,044,285 an increase of \$1,081,017 in comparison with the \$11,963,268 ending fund balances on September 30, 2011.

As of September 30, 2012, the general fund's unassigned fund balance was \$4,919,274 or 27 percent of total general fund expenditures excluding transfers.

Local revenues and expenditures continue to be affected by intergovernmental pressures from reduced state aid, lack of funding for state-mandated programs and services, property tax reform, and the slow economic recovery. Despite all these factors the County is committed to maintaining County services while slowly increasing fund balances.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the basic financial statements

A brief description of the different financial statements follows.

Government-wide Financial Statements

The government-wide financial statements (statement of net assets and statement of activities found on pages 11-12) concentrate on the County as a whole and do not emphasize fund types. The governmental activities comprise the primary government. Fiduciary funds are not included in the government-wide financial statements. The County does not have any business-type activities.

General governmental and intergovernmental revenues support the governmental activities along with user fees and charges for services. The purpose of the government-wide financial statements is to allow the user to be able to analyze the County's total financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The statement of activities reflects the expenses of a given function or program, which are offset by program revenues. In order to better understand the County's operations, governmental activities expenses, include among others, general government services, public safety, culture and recreation, transportation and economic environment. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes, state shared revenues, and investment earnings are reported under general revenue. The effect of the interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the County to account for revenues that are restricted to certain uses, comply with legal requirements, or account for the use of Federal and State grants. The three major categories of funds found in the County's fund financial statements include: governmental funds, proprietary funds and fiduciary funds. The County's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets the certain criteria set forth in GASB 34. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements.

Fund financial statements for all governmental funds include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balance**. The County's general fund and major special revenue funds include a **statement of revenues, expenditures, and changes in fund balance-budget and actual**. A **statement of fiduciary net assets** is presented for the County's agency fund.

Governmental Fund Financial Statements

Governmental fund financial statements are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets.

The fund financial statements provide a presentation of the County's major funds, along with a column for all non-major funds. In the case of governmental funds, outlays for long lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds; and are not included in the fund financial statements. To facilitate a comparison between the fund financial statements and the government-wide financial statements; a reconciliation of the balance sheet to the statement of net assets can be found on page 14, and a reconciliation of the statement of revenues, expenditures and changes in fund balance to the statement of activities is provided on page 16.

Fiduciary Fund Financial Statements

The fiduciary fund financial statement is not included in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The only type of fiduciary funds the County maintains, agency funds, are used to account for assets held by the County as an agent for individuals and other governments.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-40 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following schedule provides a summary of assets, liabilities and net assets of the County for fiscal years 2011 and 2012.

The largest portion of the County's net assets (81.3%) reflects its investment in capital assets (land, buildings, improvements, equipment, furniture, vehicles, construction in progress and infrastructure) 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* (\$5,598,656 or 9.4%) may be used to help meet the government's ongoing obligations to citizens and creditors.

Gadsden County Florida Summary of Net Assets September 30, 2011 and 2012

	Governmental Activities	
	2012	2011
Current and Other Assets	\$ 16,283,092	\$ 15,778,829
Capital Assets	65,995,564	69,468,125
Total Assets	\$ 82,278,656	\$ 85,246,954
Current Liabilities	\$ 4,017,807	\$ 5,281,122
Non-Current Liabilities	18,793,063	18,094,777
Total Liabilities	\$ 22,810,870	\$ 23,375,899
Net Assets		
Invested in capital assets, net of related debt	\$ 48,372,487	\$ 52,082,011
Restricted	5,496,643	5,430,493
Unrestricted	5,598,656	4,358,551
Total Net Assets	\$ 59,467,786	\$ 61,871,055

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

		Gadsden County Florida Changes in Net Assets	
		Governmental Activities	
		2012	2011
Revenues:			
Program Revenues:			
Charges for Services	\$	4,506,914	\$ 4,653,514
Operating Grants and Contributions		3,711,740	3,496,964
Capital Grants and Contributions		1,043,287	2,966,779
Total Program Revenues		9,261,941	11,117,257
General Revenues:			
Property Taxes		11,300,173	11,492,601
Sales Tax and State Shared Revenue		5,371,263	5,430,906
Local Option Taxes		5,041,768	5,126,685
Motor Fuel Tax		2,302,773	2,434,207
Other		455,059	471,224
Total General Revenues		24,471,036	24,955,623
Total Revenues		33,732,977	36,072,880
Expenses:			
Program Expenses:			
General Government		7,385,999	7,118,739
Public Safety		12,619,869	12,512,583
Physical Environment		1,388,249	872,794
Transportation		7,498,459	7,291,866
Economic Environment		682,164	652,698
Human Services		2,685,080	2,527,862
Court Related		1,870,256	1,874,110
Culture/Recreation		1,187,417	1,121,744
Interest on Long-term Debt		818,753	868,070
Total Expenses		36,136,246	34,840,466
(Decrease) Increase in Net Assets		(2,403,269)	1,232,414
Net Assets October 1, 2011		61,871,055	60,638,641
Net Assets September 20, 2012	\$	59,467,786	\$ 61,871,055

As reflected in the changes in net assets, the County's net assets decreased by \$2,403,269. The largest portion of the decrease, \$1,923,492, was due mainly to the reduction of Capital grants available for the 2011-2012 fiscal year. There was also a significant reduction in general revenues; of which property taxes and state shared revenue decreases were anticipated due to the state voted changes and slow economic recovery.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

FUND FINANCIAL ANALYSIS

Governmental Funds

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

As of the end of fiscal year 2012, the County's governmental funds reported combined ending fund balances of \$13.0 million, an increase of \$1.0 in comparison with the prior year. Of the approximately \$13.0 million total fund balance, unassigned fund balance is \$4.7 million and is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County and had an increase in fund balance of \$773,911. The total general fund balance was \$5,366,173 of which \$4,919,274 is unassigned. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 27% of total general fund expenditures excluding transfers.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund's budget decreased during fiscal year 2011-2012 in the amount of \$1,696,814 from the original budget. The budget for the discretionary tax in the amount of \$1,920,830, less 5%, was originally put into the general fund, however during the course of the year, it was determined that a more direct approach to budgeting would be appropriate and the funds were taken from general fund and put into the Board approved funds for Fire Services, \$845,987 and Public Works, \$824,843 respectively.

Increases to the general fund budget include the recognition of \$109,227 of fund balance, for the debt service payment to SunTrust Bank for the renovation to the Tax Collector/Property Appraiser's building. This amount came from payback of funds from the Tax Collector and Property Appraiser for fiscal year 2010-11.

Other changes include the recognition of \$37,406 of insurance premiums refunded and grant funds from HRSA, Health Resources and Services Administration, in the amount of \$97,050 to fund the replacement of the hospital chiller.

Additionally another \$19,797 was added to cover the costs of allowing the Administrative Assistant to the Soil and Water office to become full time rather than part time. These funds were contributed by NCRS, Natural Conservation Resource Services.

Actual general fund revenues exceeded the final revenue budget by approximately \$145,336. Contributors to the excess revenue received include collections from the State for fiscally constrained funds and returned excess fees from the Tax Collector, and the Property Appraiser in the amount of \$126,873.

Actual overall expenditures were approximately \$1,077,000 less than the final amended budget. The largest contributing factor to this was the decrease in costs in the Finance and Administrative portion of general government services function.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CAPITAL ASSETS AND DEBT MANAGEMENT

Capital Assets

The County's investment in capital assets for its governmental activities as of September 30, 2012, amounts to \$65.8 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:

- The renovation of the Tax Collector/Property Appraiser building in the amount of \$366,965, provided for by loan proceeds from Suntrust bank.
- The purchase of IBM Blade Center and additional disk storage capacity for the IT department in the amount of \$50,840.
- The purchase and installation of HVAC systems for the Havana and Quincy libraries, Courthouse, Record Center, Agriculture Center for \$51,610.
- The purchase of 2012 Ford F-150 truck for Animal Control in the amount of \$21,193.
- The replacement of the record center roof in the amount of \$60,356.
- The purchase of a 2012 Chevrolet Silverado Xcab pickup truck for Public Works in the amount of \$26,391.
- The purchase of (3) 2012 Chevy Silverado pickup trucks for Right of Way Maintenance for Public Works in the amount of \$77,211.
- The replacement of the jail chiller in the amount of \$120,304.
- The purchase of 10 new ambulances in the amount of \$536,454, provided for by loan proceeds from Suntrust Bank.
- Improvement/renovations to Eugene Lamb park in the amount of \$71,595.

Through grants and capital projects the County spent \$364,378 on resurfacing Dodger Ball Park road and \$52,801 on High Bluff boat ramp renovation and flood prevention for Crawfish Island.

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	
	2012	2011
Land	\$ 2,009,104	\$ 2,050,409
Buildings	25,452,732	25,890,636
Improvements Other than Buildings	2,924,272	2,912,799
Machinery and Equipment	7,495,051	8,148,596
Construction in Progress	1,463,747	663,158
Infrastructure	<u>26,490,489</u>	<u>29,625,515</u>
Total	<u><u>\$ 65,835,395</u></u>	<u><u>\$ 69,291,113</u></u>

Debt Management

The two most significant components of the County's debt are the Florida Municipal Loan Council Revenue Bonds Series 2003B, at \$4.7 million and the BB&T Bank for \$9.2 million. Future county fuel tax revenues and constitutional fuel tax revenues secure the bonds and the newly voted half cent Indigent Surtax is used to secure the loan with BB&T. The County also has a loan with the Florida Municipal Loan Council for 2006B Revenue Bonds at \$1.7 million for the financing costs of library facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)

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

Gadsden County Florida Outstanding Debt			
	2012	2011	Increase (Decrease)
Revenue Bonds	\$ 15,731,671	\$ 16,757,693	\$ (1,026,022)
Notes and Loans Payable	1,673,300	379,217	1,294,083
Compensated Absences	1,487,485	1,445,597	41,888
Other Post Employment Benefits	1,215,000	1,133,200	81,800
Landfill Post-closure Costs	591,297	628,012	(36,715)
Total	\$ 20,698,753	\$ 20,343,719	\$ 355,034

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the County in September 2012 was 8.6%. The State of Florida's rate in September 2012 was 8.4 %.

The County's ad valorem tax rate of 8.9064 has remained the same for the past five fiscal years.

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 below the statutory maximum level of 10.00 mills at 8.9064 and has been for five years.

A loss in property value due to continuing low market values, short sales and foreclosures is expected for the next year's ad valorem taxes which will have a significant impact on the County's budget. Last year's analysis discussed upcoming exemptions that were to be on the ballot for the citizen's to vote on. The exemptions for military personnel, low income seniors (with and without 25 years in the same house), and deployed military all were voted into law. To date, the Property Appraiser estimates a minor shortfall to the county of \$11,000 due to these new exemptions.

On a positive note, a natural gas pipeline was added to the County's tax rolls adding about \$70 million dollars to the taxable value. This event increased the regular property tax value and decreased the amount of reserves that were needed to balance the budget.

As Gadsden County looks towards the future it is clear that preparations must be made for developing plans and strategies to secure resources to provide the replacement to the County's aging infrastructure to properly accommodate future generations. 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.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GADSDEN COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Governmental Activities
Assets	
Current Assets:	
Cash	\$ 9,697,960
Investments	3,670,247
Receivables, Net:	
Accounts	541,758
Due from Other Governments	2,183,410
Prepaid Items	16,187
Inventories	173,530
Total Current Assets	<u>16,283,092</u>
Noncurrent Assets:	
Capital Assets:	
Nondepreciable	3,472,851
Depreciable, Net	62,362,544
Unamortized Loan Issuance Costs	160,169
Total Noncurrent Assets	<u>65,995,564</u>
Total Assets	<u><u>82,278,656</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Expenses	1,264,912
Due to Agency Funds	108,406
Due to Other Governments	235,954
Accrued Wages Payable	171,103
Unearned Revenue	113,636
Unamortized Premium	31,098
Bonds and Notes Payable	1,436,632
Accrued Compensated Absences	619,351
Estimated Landfill Postclosure Costs	36,715
Total Current Liabilities	<u>4,017,807</u>
Noncurrent Liabilities:	
Unamortized Premium	187,008
Accrued Compensated Absences	868,134
Other Postemployment Benefits Obligation	1,215,000
Bonds and Notes Payable	15,968,339
Estimated Landfill Postclosure Costs	554,582
Total Noncurrent Liabilities	<u>18,793,063</u>
Total Liabilities	<u><u>22,810,870</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	48,372,487
Restricted	5,496,643
Unrestricted	5,598,656
Total Net Assets	<u><u>\$ 59,467,786</u></u>

The notes to the financial statements are an integral part of this statement.

**GADSDEN COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 7,385,999	\$ 1,457,458	\$ 19,950	\$ 0	\$ (5,908,591)
Public Safety	12,619,869	2,319,218	944,935	8,403	(9,347,313)
Physical Environment	1,388,249	0	263,310	512,656	(612,283)
Transportation	7,498,459	148,551	140,484	488,287	(6,721,137)
Economic Environment	682,164	0	422,158	0	(260,006)
Human Services	2,685,080	74	183,323	0	(2,501,683)
Court-related	1,870,256	532,271	1,347,918	0	9,933
Culture and Recreation	1,187,417	49,342	389,662	33,941	(714,472)
Interest on Long-term Debt	818,753	0	0	0	(818,753)
Total Primary Government	\$ 36,136,246	\$ 4,506,914	\$ 3,711,740	\$ 1,043,287	(26,874,305)

General Revenues

Taxes:

Property Taxes	11,300,173
Franchise and Utility Taxes	297,111
Discretionary Sales Surtax	3,537,059
Local Option Gas Tax	1,207,598
Motor Fuel Tax	2,302,773
Other Taxes	95,571
Sales Tax and Other Shared Revenues	5,371,263
Investment Earnings	44,102
Miscellaneous	315,386

Total General Revenues

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

24,471,036
(2,403,269)
61,871,055
\$ 59,467,786

The notes to the financial statements are an integral part of this statement.

GADSDEN COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	County Transportation	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 3,569,639	\$ 908,676	\$ 5,219,645	\$ 9,697,960
Investments	2,133,614	384,049	1,152,584	3,670,247
Accounts Receivables (Net of Allowance for Uncollectibles)	43,005	162,043	336,710	541,758
Due from Other Funds	187,279	0	165,381	352,660
Due from Other Governments	662,415	447,086	1,088,192	2,197,693
Prepaid Expenses	16,187	0	0	16,187
Inventories, at Cost	115,201	58,329	0	173,530
Total Assets	<u>6,727,340</u>	<u>1,960,183</u>	<u>7,962,512</u>	<u>16,650,035</u>
Liabilities				
Accounts Payable and Accrued Expenses	718,479	37,776	383,374	1,139,629
Due to Other Funds	51,671	0	409,395	461,066
Due to Other Governments	140,955	7	94,992	235,954
Accrued Wages Payable	171,103	72,336	52,947	296,386
Deferred Revenues	278,959	234,867	958,889	1,472,715
Total Liabilities	<u>1,361,167</u>	<u>344,986</u>	<u>1,899,597</u>	<u>3,605,750</u>
Fund Balances				
Nonspendable	189,018	58,329	0	247,347
Restricted	169,582	1,556,868	3,770,193	5,496,643
Committed		0	91	91
Assigned	88,299	0	2,497,004	2,585,303
Unassigned	4,919,274	0	(204,373)	4,714,901
Total Fund Balances	<u>5,366,173</u>	<u>1,615,197</u>	<u>6,062,915</u>	<u>13,044,285</u>
Total Liabilities and Fund Balances	<u>\$ 6,727,340</u>	<u>\$ 1,960,183</u>	<u>\$ 7,962,512</u>	<u>\$ 16,650,035</u>

The notes to the financial statements are an integral part of this statement.

GADSDEN COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

Total Fund Balances of Governmental Funds	\$ 13,044,285
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**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.	65,835,395
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Receivables that do not provide current financial resources are reported as deferred revenue in the governmental funds.	1,344,796
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Loan issuance costs are not current financial resources and, therefore, are not reported as assets in the governmental funds.	160,169
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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:

Bonds and Installment Notes Payable	\$ (17,404,971)	
Unamortized Premium	(218,106)	
Accrued Compensated Absences	(1,487,485)	
Accrued Other Postemployment Benefits Obligation	(1,215,000)	
Estimated Landfill Postclosure Costs	(591,297)	
	(20,916,859)	

Total Net Assets of Governmental Activities	\$ 59,467,786
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The notes to the financial statements are an integral part of this statement.

GADSDEN COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	County Transportation	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 11,597,286	\$ 2,959,337	\$ 2,476,164	\$ 17,032,787
Licenses and Permits	97,707	0	216,172	313,879
Intergovernmental Revenues	5,987,083	463,045	5,126,113	11,576,241
Charges for Services	1,114,218	148,552	2,717,453	3,980,223
Fines and Forfeitures	0	0	158,149	158,149
Miscellaneous Revenues	159,029	103,780	74,088	336,897
Total Revenues	18,955,323	3,674,714	10,768,139	33,398,176
Expenditures				
Current:				
General Government	6,467,549	0	19,293	6,486,842
Public Safety	7,141,483	0	4,476,056	11,617,539
Physical Environment	272,581	0	996,865	1,269,446
Transportation	0	3,895,729	202,612	4,098,341
Economic Environment	267,890	0	436,948	704,838
Human Services	1,395,402	0	624,016	2,019,418
Court-related	1,479,944	0	390,312	1,870,256
Culture and Recreation	187,808	0	888,863	1,076,671
Debt Service:				
Principal	220,809	0	1,140,325	1,361,134
Interest	8,642	0	815,989	824,631
Other	0	0	8,378	8,378
Capital Outlay:	0			
General Government	255,666	0	435,991	691,657
Public Safety	371,634	0	820,734	1,192,368
Physical Environment	18,548	0	0	18,548
Transportation	0	108,077	390,762	498,839
Human Services	21,193	0	0	21,193
Court-related	0	0	74,419	74,419
Culture and Recreation	33,941	0	77,895	111,836
(Total Expenditures)	(18,143,090)	(4,003,806)	(11,799,458)	(33,946,354)
Excess (Deficiency) of Revenues Over (Under) Expenditures	812,233	(329,092)	(1,031,319)	(548,178)
Other Financing Sources (Uses)				
Transfers in	7,814,127	265,595	9,622,655	17,702,377
Transfers (out)	(8,181,644)	(127,025)	(9,393,708)	(17,702,377)
Debt Proceeds	0	0	1,300,000	1,300,000
Installment Purchase	329,195	0	0	329,195
Total Other Financing Sources (Uses)	(38,322)	138,570	1,528,947	1,629,195
Net Change in Fund Balances	773,911	(190,522)	497,628	1,081,017
Fund Balances at Beginning of Year	4,592,262	1,805,719	5,565,287	11,963,268
Fund Balances at End of Year	\$ 5,366,173	\$ 1,615,197	\$ 6,062,915	\$ 13,044,285

The notes to the financial statements are an integral part of this statement.

GADSDEN COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 1,081,017

**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:

Expenditures for Capital Outlays	\$ 2,342,087	
Contributions and Gain/Loss on Disposal	(486,461)	
(Current Year Depreciation)	(5,311,345)	(3,455,719)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.		1,361,134
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The issuance of long-term debt provides current financial resources to governmental funds, while it has no effect on the statement of activities.		(1,629,195)
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Amortization of issuance costs and debt premium are a component of interest expense in the statement of activities, while it has no effect in the governmental funds:

Amortization of Bond Premiums	31,098	
Amortization of Issue Costs	(16,842)	14,256

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated Absences	(41,888)	
Other Postemployment Benefits	(81,800)	
Landfill Postclosure Costs	36,715	(86,973)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		312,211
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Change in Net Assets - Governmental Activities		\$ (2,403,269)
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The notes to the financial statements are an integral part of this statement.

GADSDEN COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 13,223,450	\$ 11,302,618	\$ 11,597,286	\$ 294,668
Licenses and Permits	100,000	100,000	97,707	(2,293)
Intergovernmental Revenues	5,842,334	6,016,371	5,987,083	(29,288)
Charges for Services	1,230,115	1,237,819	1,114,218	(123,601)
Miscellaneous Revenues	110,902	153,179	159,029	5,850
Total Revenues	20,506,801	18,809,987	18,955,323	145,336
Expenditures				
Current:				
General Government	8,092,667	7,458,526	6,467,549	990,977
Public Safety	7,015,661	7,030,661	7,141,483	(110,822)
Physical Environment	263,629	298,647	272,581	26,066
Economic Environment	242,663	276,903	267,890	9,013
Human Services	1,216,029	1,433,801	1,395,402	38,399
Court-related	1,608,140	1,612,040	1,479,944	132,096
Culture and Recreation	110,652	250,685	187,808	62,877
Debt Service:				
Principal	203,316	203,316	220,809	(17,493)
Interest	5,590	5,590	8,642	(3,052)
Capital Outlay:				
General Government	175,529	238,842	255,666	(16,824)
Public Safety	42,441	371,636	371,634	2
Physical Environment	17,321	17,321	18,548	(1,227)
Human Services	22,000	22,000	21,193	807
Culture and Recreation	0	0	33,941	(33,941)
Contingency	209,405	0	0	0
(Total Expenditures)	(19,225,043)	(19,219,968)	(18,143,090)	1,076,878
Excess of Revenues Over Expenditures	1,281,758	(409,981)	812,233	1,222,214
Other Financing Sources (Uses)				
Transfers in	9,623,245	9,844,030	7,814,127	(2,029,903)
Transfers (out)	(10,905,003)	(9,763,244)	(8,181,644)	1,581,600
Installment Purchase	0	329,195	329,195	0
Total Other Financing Sources (Uses)	(1,281,758)	409,981	(38,322)	(448,303)
Net Change in Fund Balance	0	0	773,911	773,911
Fund Balance, Beginning of Year	0	0	4,592,262	5,615,513
Fund Balance, End of Year	\$ 0	\$ 0	\$ 5,366,173	\$ 6,389,424

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

GADSDEN COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY TRANSPORTATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 2,214,186	\$ 3,039,029	\$ 2,959,337	\$ (79,692)
Intergovernmental Revenues	494,000	494,000	463,045	(30,955)
Charges for Services	48,000	48,000	148,552	100,552
Miscellaneous Revenues	500	500	103,780	103,280
Total Revenues	<u>2,756,686</u>	<u>3,581,529</u>	<u>3,674,714</u>	<u>93,185</u>
Expenditures				
Current:				
Transportation	4,154,759	4,154,759	3,895,729	259,030
Capital Outlay:				
Transportation	82,925	82,925	108,077	(25,152)
(Total Expenditures)	<u>(4,237,684)</u>	<u>(4,237,684)</u>	<u>(4,003,806)</u>	<u>233,878</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(1,480,998)</u>	<u>(656,155)</u>	<u>(329,092)</u>	<u>327,063</u>
Other Financing Sources (Uses)				
Transfers in	1,480,998	656,155	265,595	(390,560)
Transfers (out)	0	0	(127,025)	(127,025)
Total Other Financing Sources (Uses)	<u>1,480,998</u>	<u>656,155</u>	<u>138,570</u>	<u>(517,585)</u>
Net Change in Fund Balance	0	0	(190,522)	(190,522)
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>1,805,719</u>	<u>1,805,719</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,615,197</u>	<u>\$ 1,615,197</u>

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

GADSDEN COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2012

	Private Purpose Trust Fund	Agency Funds	Total
Assets			
Cash	\$ 68,616	\$ 1,515,430	\$ 1,584,046
Investments	7,681,800	0	7,681,800
Accounts Receivable	987	7,109	8,096
Due from Other Funds	100,000	15,443	115,443
Total Assets	<u>7,851,403</u>	<u>1,537,982</u>	<u>9,389,385</u>
 Liabilities			
Accounts Payable	0	612	612
Due to Other Funds	0	7,037	7,037
Due to Other Governments	67,883	144,503	212,386
Assets Held for Others	0	42,171	42,171
Installment Tax Deposits	0	206,301	206,301
Deposits	0	1,135,672	1,135,672
Deferred Revenue	0	1,686	1,686
Total Liabilities	<u>67,883</u>	<u>1,537,982</u>	<u>1,605,865</u>
 Net Assets			
Held in Trust	<u>\$ 7,783,520</u>	<u>\$ 0</u>	<u>\$ 7,783,520</u>

The notes to the financial statements are an integral part of this statement.

GADSDEN COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
SEPTEMBER 30, 2012

	Private Purpose Trust Fund
Additions	
Investment Earnings:	
Net Appreciation in Fair Value of Investments	\$ 525,340
Interest and Dividends	151,943
Miscellaneous Revenues	2,183
Total Additions	<u>679,466</u>
 Deductions	
Contributions to Agency for Healthcare Administration	140,824
Administrative Fees	10,844
Total Deductions	<u>(151,668)</u>
 Net Increase	527,798
 Net Assets Held in Trust, Beginning of Year	<u>7,255,722</u>
 Net Assets Held in Trust, End of Year	<u><u>\$ 7,783,520</u></u>

The notes to the financial statements are an integral part of this statement.

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 Constitutional Officers: the Clerk of the Circuit Court (Clerk), Tax Collector, Sheriff, 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 to determine whether the entity is: (a) part of the primary government; (b) a component unit which should be included in the reporting entity (blended or discretely presented); or (c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include the legal separateness of the organization, the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit, or the potential component unit's fiscal dependency on the primary government. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the reporting entity:

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

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 1 - Reporting Entity (Concluded)

- **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. The Agency did not have any activity in fiscal year 2012.
- **Gadsden Hospital, Inc.**—The Gadsden Hospital Inc. is a not-for-profit corporation established to assist with the operation of the Hospital and other health care facilities in Gadsden County. The Gadsden Hospital, Inc. members are appointed by the Board and the Board approves its funding and operations. Accordingly, the activities of Gadsden Hospital, Inc. have been included as a blended component unit in the County's financial statements, and has been included as a special revenue fund in the accompanying financial statements.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the County conform to generally accepted accounting principles 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 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, 2012
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Concluded)

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 is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following 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**—This fund accounts for the operation of the Public Works Department of the County. Funding is provided principally from gas taxes and other charges for services.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be available when they are collected 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 thirty days of 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 and other postemployment benefits are recorded only when payment is due.

Budgets and Budgetary Accounting

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

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Concluded)

- Budgets are generally prepared for the governmental funds on a basis consistent with generally accepted accounting principles.
- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental funds in accordance with procedures and time intervals prescribed by law.
- 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.

The County-wide General Fund is comprised of the following six subfunds: Board of County Commissioners, Clerk of the Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. In order to comply with the generally accepted accounting principles, the actual intra-fund activity has been consolidated in order to eliminate inflated amounts in the aggregate financial statements of the County-wide General Fund.

Investments

Investments are stated at fair value. Investment fair values are based on quoted market prices. Investments in Florida PRIME, which is an external 2a-7-like investment pool, is stated at share price which is substantially the same as fair value.

Receivables

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

Due from (to) Other Funds

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

Prepaid Items

Certain payments to vendors are made in advance of the accounting period to which the cost related. These payments are reported under the allocation method, i.e., an asset is established at the date of the payment and subsequently amortized over the account periods that are expected to benefit from the initial payment. The prepaid balances reported on the governmental funds balance sheet are offset by a nonspendable fund balance classification which indicates these balances do not constitute “available spendable resources.”

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. Inventories shown in the County transportation fund consists predominately of repair parts and are valued at cost. On the governmental fund balance sheet, the inventory balance are offset by a nonspendable fund balance classification which indicates these balances do not constitute “available spendable resources” even though it is a component of net current assets. The costs of governmental fund type inventories are recorded as expenditure when consumed; therefore, the inventory is not available for appropriation.

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, right-of-ways, stormwater systems, sidewalks, and similar items), are reported in the 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.

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

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

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

Unearned Revenues

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

Long-term Obligations

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

Compensated Absences

Upon retirement or resignation, employees may be paid a cash benefit equal to the number of vacation hours accrued up to a maximum amount, based upon the employee's current wage rate. Upon retirement or resignation in good standing, employees are paid a portion of accumulated sick leave. The portion is payable at various percentages depending on years of service and the governmental office in which the employee worked.

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Postemployment Benefits Other than Pension Benefits (OPEB)

The County participates and administers a single-employer plan under which qualified retired employees are permitted to participate in the health, dental, vision, and life insurance benefits program. Additional information on the County's OPEB liability can be found in Note 14.

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 state-wide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills for general operations.

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

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

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

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

Fund Balance

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because (a) they are not expected to be converted to cash or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.
- **Restricted**—This component of fund balance consists of amounts that are constrained either (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 2 - Summary of Significant Accounting Policies (Concluded)

Fund Balance (Concluded)

- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., ordinance) of the organization's governing authority (the Board). These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (e.g., ordinance) employed to constrain those amounts.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.
- **Unassigned**—This classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the General Fund that are not restricted, committed or assigned.
- **Flow Assumption**
When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the Board's policy to use committed resources first, then assigned, and then unassigned as needed.

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 Hospital.

Public Purpose

As of September 30, 2012, the County's public purpose programs had the following in cash and investments:

	Carrying Amount
Cash on Hand	\$ 3,025
Deposits in Qualified Public Depositories	11,276,042
SBA Florida PRIME	3,615,556
SBA Fund B	57,630
Total Cash and Investments	\$ 14,952,253

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 3 - Cash and Investments (Continued)

Credit Risk – *Public Purpose Funds*

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

1. The Florida PRIME (formerly the Local Government Surplus Trust Funds Investment Pool) administered by the State Board of Administration.
2. Negotiable direct obligations of, or obligations of 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.
5. Nonnegotiable 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.

Florida PRIME is administered by the Florida State Board of Administration (SBA). Florida PRIME 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. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of 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 Florida PRIME approximates their value of the pool shares. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAM by Standards & Poor's. Fund B is not rated by any nationally recognized statistical rating agency.

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 3 - Cash and Investments (Continued)

Credit Risk – Public Purpose Funds (Concluded)

The securities utilized by the financial institution to pledge against the County's overnight repurchase agreement at September 30, 2012, consist primarily of treasury notes and Agency securities from the Federal National Mortgage Association and Government National Mortgage Association. The treasury notes are triple A-rated by a nationally recognized statistical rating organization. The Agency securities are not fully rated.

Custodial Credit Risk – Public Purpose Funds

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 Section 280.04, Florida Statutes. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. The County's deposits in these qualified depositories are considered fully insured or collateralized. Bank balances at September 30, 2012, were \$11,518,866.

Interest Rate Risk – Public Purpose Funds

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. The weighted-average investment maturity for Florida Prime is thirty-eight days. The estimated weighted-average duration for Fund B is 4.08 years.

Hospital Endowment Trust Fund

As of September 30, 2012, the Hospital Endowment Trust Fund had the following balances in investments:

Investments at Capital City Trust Company:

	Fair Value
Cash	\$ 987
Repurchase Agreement	305,577
U.S. Government Agencies	257,760
Mutual Funds - (Fixed)	3,492,249
Equities	<u>3,625,227</u>
Total Investments	<u><u>\$ 7,681,800</u></u>

Credit Risk—Hospital Endowment Trust Fund

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 the investment decisions, and there are no written procedures outlining investing policies.

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 3 - Cash and Investments (Concluded)

Credit Risk—Hospital Endowment Trust Fund (Concluded)

The U.S. Treasury Bonds and Notes, and the 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—Hospital Endowment Trust Fund

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—Hospital Endowment Trust Fund

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

Interest Rate Risk—Hospital Endowment Trust Fund

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>
U.S. Government Agencies	\$ 257,760	\$ 257,760	\$ 0
Non-Classifiable	7,424,040	7,424,040	0
Total	<u>\$ 7,681,800</u>	<u>\$ 7,681,800</u>	<u>\$ 0</u>

Note 4 - Receivables

Receivables at September 30, 2012, consist of the following:

	<u>Gross Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
General	\$ 43,005	\$ 0	\$ 43,005
County Transportation	162,043	0	162,043
Other Governmental Funds:			
Landfill	134	0	134
Emergency Medical Services	4,171,537	(3,835,194)	336,343
Building Inspection Fund	233	0	233
Fiduciary Funds:			
Private Purpose Trust Fund	987	0	987
Agency Fund - Tax	7,109	0	7,109
Total Receivables	<u>\$ 4,385,048</u>	<u>\$ (3,835,194)</u>	<u>\$ 549,854</u>

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 5 - Interfund Receivables, Payables and Transfers

Interfund balances at September 30, 2012, consisted of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 187,279	\$ 51,671
Other Governmental Funds	165,381	409,395
Fiduciary Funds:		
Private Purpose Trust Fund	100,000	0
Agency Funds	<u>15,443</u>	<u>7,037</u>
Total	<u><u>\$ 468,103</u></u>	<u><u>\$ 468,103</u></u>

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

Interfund transfers for the year ended September 30, 2012, consisted of the following:

	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 7,814,127	\$ 8,181,644
County Transportation	265,595	127,025
Other Governmental Funds	<u>9,622,655</u>	<u>9,393,708</u>
Total Interfund Transfers	<u><u>\$ 17,702,377</u></u>	<u><u>\$ 17,702,377</u></u>

The purposes of these interfund transfers were to (a) fund budgetary requirements of other funds or Constitutional Officers, (b) meet grant match requirements, or (c) meet state or other budgetary requirements to expend revenues that were collected in another fund.

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 2,050,409	\$ 0	\$ (41,305)	\$ 2,009,104
Construction Work in Progress	663,158	800,589	0	1,463,747
Total Capital Assets Not Being Depreciated	2,713,567	800,589	(41,305)	3,472,851
Capital Assets Being Depreciated:				
Buildings	34,767,415	259,910	0	35,027,325
Improvements Other Than Buildings	3,463,434	80,639	0	3,544,073
Machinery and Equipment:				
Board and Clerk	16,403,584	684,200	(1,500,368)	15,587,416
Sheriff	2,689,886	516,749	0	3,206,635
Total Machinery and Equipment	19,093,470	1,200,949	(1,500,368)	18,794,051
Infrastructure	51,223,335	0	0	51,223,335
Total Capital Assets Being Depreciated	108,547,654	1,541,498	(1,500,368)	108,588,784
Less Accumulated Depreciation:				
Buildings	(8,876,779)	(697,814)	0	(9,574,593)
Improvements Other Than Buildings	(550,635)	(69,166)	0	(619,801)
Machinery and Equipment	(10,944,874)	(1,409,339)	1,055,213	(11,299,000)
Infrastructure	(21,597,820)	(3,135,026)	0	(24,732,846)
Total Accumulated Depreciation	(41,970,108)	(5,311,345)	1,055,213	(46,226,240)
Total Capital Assets Being Depreciated, Net	66,577,546	(3,769,847)	(445,155)	62,362,544
Total Governmental Activities Capital Assets, Net	\$ 69,291,113	\$ (2,969,258)	\$ (486,460)	\$ 65,835,395

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

General Government	\$ 184,431
Public Safety	775,110
Physical Environment	47,936
Transportation	3,448,266
Economic Environment	4,608
Human Services	665,662
Court-related	74,492
Culture and Recreation	110,840
Total Depreciation Expense Governmental Activities	\$ 5,311,345

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, 2012.

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 7 - Long-term Debt (Continued)

Summary of Changes in Long-term Debt (Continued)

	Balance 10/1/11	Additions	Deductions	Balance 9/30/12	Due Within One Year
Estimated Landfill Postclosure Costs	\$ 628,012	\$ 0	\$ (36,715)	\$ 591,297	\$ 36,715
Employee Compensated Absences Payable.	1,445,597	1,034,543	(992,655)	1,487,485	619,351
Other Postemployment Benefits	1,133,200	81,800	0	1,215,000	0
Installment Purchase, Hancock Bank, Due in Four Annual Installments of \$217,882, Plus a Payment in the Fifth Year of \$135,079, Commencing in December 2007, Including Interest at 4.08%.	114,303	0	(114,303)	0	0
Loan with the Florida Municipal Loan Council for 2003B Revenue Bonds, Semiannual 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.	5,285,000	0	(565,000)	4,720,000	580,000
Loan with the Florida Municipal Loan Council for 2006B Revenue Bonds, Semiannual Interest Payments in April and October, Commencing April 2007, Interest at 4.46%, Principal Payment in October for \$115,000 Through 2022, Funds to be Used for Financing and Refinancing Costs of Library Facilities.	1,925,000	0	(140,000)	1,785,000	145,000
Vehicle Purchase of 20, Payable in 12 Quarterly Payments of \$44,883 Including Interest at 5.10%, Commencing December 2009.	173,952	0	(173,952)	0	0
Loan with BB&T for 2010 Hospital Bond Commencing March 2010. Principal and Interest Payments Occurring Monthly \$66,142. Interest at 5.03% Maturing on March 2030. Funds Used to Pay Short- term Capital City Loan and Complete Hospital Renovations.	9,547,693	0	(321,022)	9,226,671	337,547

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 7 - Long-term Debt (Concluded)

Summary of Changes in Long-term Debt (Continued)

	<u>Balance</u> <u>10/1/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>9/30/12</u>	<u>Due Within</u> <u>One Year</u>
Loan with Caterpillar Financial Services Corp. Commencing in July 2011. Principal and Interest Payments Occurring Monthly \$1,712.87, Interest at 3.5% Maturing on June 2016. Funds Used to Pay for a New Generator at W.A. Woodham Building.	\$ 90,962	\$ 0	\$ (17,493)	\$ 73,469	\$ 18,161
Vehicle Purchase of 20, Payable in 12 Quarterly Payments of \$29,364 Including Interest at 4.95%, Commencing September 2012.	0	329,195	(29,364)	299,831	104,514
Purchase of 10 Ambulances, Payable in 5 Annual Installments of \$189,173 Including Interest at 1.68%, Commencing March 2013.	0	900,000	0	900,000	174,053
Loan with SunTrust Banking for Series 2011, Capital Improvement Note, Payable in 5 Annual Installments of \$84,077 Beginning in December 2012. Funds Used to Renovate Tax Collector/Property Appraiser Office.	0	400,000	0	400,000	77,357
Total	<u>\$ 20,343,719</u>	<u>\$ 2,745,538</u>	<u>\$ (2,390,504)</u>	<u>\$ 20,698,753</u>	<u>\$ 2,092,698</u>

Interest expense and other debt related charges during 2012 on long-term debt totaled \$833,009, 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 Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,436,632	\$ 802,948
2014	1,494,194	735,842
2015	1,528,225	673,235
2016	1,508,578	604,783
2017	1,561,337	535,550
2018-2022	4,924,324	1,774,286
2023-2027	3,090,223	879,462
2028-2032	1,861,458	123,384
Other Years (Including Compensated Absences, Other Postemployment Benefits, and Estimated Landfill Postclosure Costs)	3,293,782	0
Total	<u>\$ 20,698,753</u>	<u>\$ 6,129,490</u>

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 7 - Long-term Debt (Concluded)

Original Issue Premium and Loan Issue Costs

Unamortized original issue premium and loan issuance costs for the loans with the Florida Municipal Loan Council at September 30, 2012, were \$218,106 and \$160,169. respectively.

Note 8 - Pledged Revenues

The County has pledged certain revenues to repay bonds outstanding as of September 30, 2012. The following table reports the revenues pledged for each debt issue, the amounts of such revenues received in the current year principal and interest paid on the debt, the approximated percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2012.

<u>Pledged Revenue</u>	<u>Description of Bonds</u>	<u>Revenue Received</u>	<u>Principal and Interest Paid</u>	<u>Estimated Percentage Pledged</u>	<u>Outstanding Principal and Interest</u>	<u>Pledged Through</u>
County Fuel Tax	Revenue Bond for Infrastructure Revenue Bond, Series 2003B	<u>\$ 1,522,090</u>	<u>\$ 820,081</u>	53.9%	<u>\$ 5,633,551</u>	2018
Local Half-cent Tax	Revenue Bond for Library Revenue Bond, Series 2006B	<u>\$ 1,029,515</u>	<u>\$ 228,706</u>	22.2%	<u>\$ 2,245,650</u>	2022
Indigent Surtax Revenues	Sales Tax and Revenue Refund Bond, Series 2010	<u>\$ 1,320,080</u>	<u>\$ 793,937</u>	60.1%	<u>\$ 13,893,896</u>	2030

Note 9 - Defined Benefit Pension Plan

Plan Description

The County contributes to the Florida Retirement System (the 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, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

Plan Benefits and Vesting

If employed prior to July 1, 2011, the system provides for vesting of benefits after six years of creditable service. The vesting requirement changes to eight years of creditable service for those employed on or after July 1, 2011. For those employed prior to July 1, 2011, normal retirement is after thirty years of service or age sixty-two except for the Special Risk service class. Those hired prior to July 1, 2011, who are assigned the Special Risk service class must have twenty-five years of service or must reach age fifty-five. If employed on or after July 1, 2011, normal retirement is after thirty-three years of service or age sixty-five except for the

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 9 - Defined Benefit Pension Plan (Concluded)

Plan Benefits and Vesting (Concluded)

Special Risk service class. Those hired on or after July 1, 2011, who are assigned the Special Risk service class must have thirty years of service or must reach age sixty. Early retirement may be taken after meeting the appropriate vesting requirement with a 5% benefit reduction for each year prior to the normal retirement requirement. The System also offers eligible employees the ability to participate in an alternative defined contribution plan (the Investment Plan). Employees participating in the Investment Plan are vested after one year of service with no age requirement. Generally, membership is compulsory for all full-time and part-time employees except for Elected Officials who may elect not to participate in the system. Prior to July 1, 2011, retirement coverage for an employee was noncontributory. Effective July 1, 2011, all System members (except those in DROP) are required to contribute 3% of their gross compensation on a pre-tax basis.

The Deferred Retirement Option Program (DROP) is available under the System Pension Plan when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to sixty months. While in the DROP, the member's retirement benefits accumulate in the System trust fund (increase by a cost of living adjustment each July). DROP participants starting the program prior to July 1, 2011, earn monthly interest equivalent to an annual rate of 6.5%. Participants starting the program on or after July 1, 2011, earn an effective annual rate of 1.3%. When the DROP period ends, the DROP account is paid out as a lump-sum payment, a rollover, or a combination, and monthly benefits are subsequently paid to the member in the amount as calculated upon entry into DROP, plus cost-of-living adjustments for intervening years. In most cases, the DROP participant must cease employment when the DROP period ends.

The County is required to contribute at an actuarially determined rate. The contributions required for the years ended September 30, 2012, 2011, and 2010 were \$941,889, \$1,695,108, and \$1,759,702, respectively, which is equal to 100% of the required contribution for each year. The employer contribution rates for 2012 were as follows:

	Employer Contribution Rate
	<u>July 1, 2012</u>
Regular Employees	5.18%
Senior Management Service	6.30%
SUS Optional Program	5.14%
Elected County Officials	10.23%
Special Risk	14.9%

Note 10 - 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:

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 10 - Risk Management (Concluded)

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

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

Note 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 the County. The trust is accounted for as a private purpose trust fund in the fiduciary fund financial statements.

Note 12 - Landfill Postclosure Costs

The Board has obtained engineering estimates of future costs to monitor the landfill sites as required by U.S. Environmental Protection Agency regulations and the related provisions of GASB Statement No. 18. A long-term liability for accrued landfill postclosure costs at September 30, 2012, 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 the final closure of the landfills. The County does not presently own or operate any open sanitary landfill sites.

Note 13 - Commitments and Contingencies

Litigation

The County is contingently liable with respect to various 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, 2012:

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 13 - Commitments and Contingencies (Concluded)

<u>Project</u>	<u>Fund</u>	<u>Contract Amount</u>	<u>Expended as of 9/30/12</u>
Hospital Improvements	General Government	\$ 109,700	\$ 0
Emergency/Disaster Relief	Economic Environment	253,819	49,784
Road Resurfacing	Transportation	450,729	384,783
Total		<u>\$ 814,248</u>	<u>\$ 434,567</u>

Note 14 - Postemployment Benefits Other than Pension Benefits (OPEB)

Plan Description—The County participates and administers a single-employer plan under which qualified retired employees are permitted to participate in the health, dental, vision and life insurance benefits program (the Program). A stand alone financial report is not issued for the Program.

Funding Policy—Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

Annual OPEB Cost and Net OPEB Obligations—The County's OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the County's annual cost, its actuarial contributions, and changes in the County's net OPEB obligation:

	<u>BOCC</u>	<u>Clerk of Courts</u>	<u>Property Appraiser</u>	<u>Sheriff</u>	<u>Tax Collector</u>	<u>Total</u>
Annual Required Contribution	\$ 70,000	\$ 11,800	\$ 5,200	\$ 73,200	\$ 3,900	\$ 164,100
Interest on Net OPEB						
Obligation	17,400	2,400	1,000	23,800	700	45,300
Adjustment to the ARC	(17,600)	(2,400)	(1,000)	(24,000)	(700)	(45,700)
Annual OPEB Cost	69,800	11,800	5,200	73,000	3,900	163,700
Employer Contributions	(34,400)	(6,900)	(3,400)	(35,000)	(2,200)	(81,900)
Increase in Net OPEB						
Obligation	35,400	4,900	1,800	38,000	1,700	81,800
Net OPEB Obligation,						
Beginning of Year	<u>436,300</u>	<u>59,700</u>	<u>25,700</u>	<u>594,100</u>	<u>17,400</u>	<u>1,133,200</u>
Net OPEB Obligation,						
End of Year	<u>\$ 471,700</u>	<u>\$ 64,600</u>	<u>\$ 27,500</u>	<u>\$ 632,100</u>	<u>\$ 19,100</u>	<u>\$ 1,215,000</u>

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Continued)

Note 14 - Postemployment Benefits Other than Pension Benefits (OPEB) (Concluded)

Funded Status and Funding Progress—As of the most recently completed actuarial valuation (October 1, 2011), the unfunded actuarial accrued liability for benefits was \$1,434,000, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the plan) was \$10,647,740. The ratio of the County's actuarial accrued liability to the County's covered payroll was 13.47%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer and new estimates are made about the future.

Actuarial Methods and Assumptions—Projection of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of valuation. The actuarial calculations reflect a long-term perspective and the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the October 1, 2011, actuarial valuation, the projected unit credit cost method was used to determine the Plan's liabilities and costs. The objective under that method is to fund each participant's benefits under the Plan as they would accrue, taking into consideration the Plan's benefit allocation formula. Thus, the total benefit value each participant is expected to become entitled to is broken down into units, each associated with a year of past or future credited service. The actuarial assumptions included: a 4% rate of return (which includes inflation at 2.75% per annum) based on the estimated long-term investments that are expected to be used to finance the payment of the benefits; healthcare cost trend rates were assumed to increase 10% for pre-Medicare coverage for the fiscal year beginning October 1, 2011, and decrease at a rate of .50% per year until an ultimate rate of 5% is reached. The unfunded actuarial liability is being amortized using a 2.75% annual increase over thirty years.

Note 15 - Other Disclosures

Deficits in Fund Balance

The following nonmajor governmental funds had a deficit in fund balance as of September 30, 2012:

Indigent Surtax Fund	\$	97,753
General Grants		20,428
Gadsden Hospital, Inc.		86,192

Fund Balance Classifications

The following is a summary of the County's fund balance classifications and the purpose of each as of September 30, 2012:

GADSDEN COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Concluded)

Note 15 - Other Disclosures (Concluded)

Fund Balance Classifications (Concluded)

Nonspendable Fund Balance

Prepaid Expenses	\$ 16,187
Inventory	173,530
SBA Fund B	<u>57,630</u>
Total Nonspendable Fund Balance	<u>\$ 247,347</u>

Restricted Fund Balance

Transportation	\$ 1,939,927
Public Safety	759,220
Capital Project	742,122
Federal and State Grants	66
Indigent Surtax	1,056,910
Library Services	37,627
Court Facilities	226,558
Landfill Escrow	50,010
Judicial Services	17,095
Tourist Development	179,562
Boating Improvements	169,582
Building Inspection	22,457
Public Records Modernization	<u>295,507</u>
Total Restricted Fund Balance	<u>\$ 5,496,643</u>

Committed Fund Balance

Teen Court	\$ <u>91</u>
Total Committed Fund Balance	<u>\$ 91</u>

Assigned Fund Balance

Capital Projects	\$ 799,429
Public Safety	540,782
Landfill	204,760
Library Services	453,543
Court Facilities	106,516
Tourist Development	38,770
Debt Service	440,855
Hospital Operating	<u>648</u>
Total Assigned Fund Balance	<u>\$ 2,585,303</u>

Note 16 - Subsequent Events

On February 13, 2013, the Board refinanced the loan with BB&T for the 2010 Hospital Bond. The original amount of the bond was \$10,000,000. At the time of refinancing, the balance remaining on the bond was \$9,147,875. The purpose of the refinance was to save funds as the original interest rate was 5.03%. The new financing rate is 2.95% which will save the County approximately \$111,995 per year and an overall savings of approximately \$1,903,914 during the remaining seventeen years on the note. (The note matures in 2031.) Total financing on the note was \$9,147,875 plus \$57,000 bond counsel and bank fees, for a total of \$9,204,875.

REQUIRED SUPPLEMENTARY INFORMATION

**GADSDEN COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as Percentage of Covered Payroll
10/1/2008	\$ 0	\$ 2,680,000	\$ 2,680,000	0.0%	\$ 12,188,000	22.00%
10/1/2010	0	1,358,500	1,358,500	0.0%	10,647,740	12.76%
10/1/2011	0	1,434,000	1,434,000	0.0%	10,647,740	13.47%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the system's funded status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

The actuarial assumptions were changed with the October 1, 2010, valuation. The medical trend assumption has been updated to 10% for the fiscal year beginning on October 1, 2011, graded down .5% per year to 5.0%. Retirement and termination rates have been updated to reflect the most recently available July 1, 2010, Florida Retirement System pension valuation assumption for General Employees, and Special Risk Employees. Disability rates for active employees have not been applied because no material liability is believed to exist. The mortality table used for the valuation was updated from the RP-2000 Combined Mortality Table to the Full-Generational RP-2000 Combined Mortality Table using Scale AA, sex-distinct. The amortization period for the liability was changed from twenty years to thirty years. The participation rates assume that 60% of eligible retirees will elect coverage into retirement and that 15% of eligible retirees will cover a spouse into retirement. The prior valuation assumed that 100% of eligible retirees would elect to continue medical coverage and that 80% of males and 60% of females covered a spouse into retirement. The retiree and spouse participation assumption change accounted for the vast majority of liability and cost decrease in this valuation as compared to the last valuation prepared by the prior actuary. The cumulative effect of these changes decreased the Actuarial Accrued Liability by approximately \$1,961,000.

COMBINING NONMAJOR FUND STATEMENTS

**GADSDEN COUNTY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Special Revenue			
	Landfill	Fines and Forfeitures	Indigent Surtax	Emergency Medical Services
Assets				
Cash	\$ 162,677	\$ 710,127	\$ 0	\$ 136,349
Investments	50,010	0	0	0
Accounts Receivables (Net of Allowance for Uncollectible)	134	0	0	336,343
Due from Other Funds	0	18,812	0	0
Due from Other Governments	4,583	251	259,172	0
Total Assets	<u>217,404</u>	<u>729,190</u>	<u>259,172</u>	<u>472,692</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	50,838	0	62,473	6,921
Due to Other Funds	0	0	3,351	0
Due to Other Governments	95	3,325	91,536	0
Accrued Wages	0	0	0	52,947
Deferred Revenue	0	0	199,565	281,650
Total Liabilities	<u>50,933</u>	<u>3,325</u>	<u>356,925</u>	<u>341,518</u>
Fund Balances				
Restricted	50,010	316,257	0	0
Committed	0	0	0	0
Assigned	116,461	409,608	0	131,174
Unassigned	0	0	(97,753)	0
Total Fund Balances	<u>166,471</u>	<u>725,865</u>	<u>(97,753)</u>	<u>131,174</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 217,404</u>	<u>\$ 729,190</u>	<u>\$ 259,172</u>	<u>\$ 472,692</u>

Special Revenue							
State Housing Initiative Partnership	Library Services	Judicial Services Fund	Fire Assessment	Court Facilities	Hospital Operating	Tourist Development	General Grants
\$ 85,071	\$ 522,795	\$ 26,000	\$ 140,057	\$ 334,613	\$ 868	\$ 213,467	\$ 0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	181,934	0	0	14,843	195,741
85,071	522,795	26,000	321,991	334,613	868	228,310	195,741
0	31,625	8,905	68,679	1,539	220	2,262	76,854
0	0	0	0	0	0	0	127,416
0	0	0	0	0	0	0	36
0	0	0	0	0	0	0	0
85,071	0	0	120,637	0	0	7,716	11,863
85,071	31,625	8,905	189,316	1,539	220	9,978	216,169
0	37,627	17,095	132,675	226,558	0	179,562	0
0	0	0	0	0	0	0	0
0	453,543	0	0	106,516	648	38,770	0
0	0	0	0	0	0	0	(20,428)
0	491,170	17,095	132,675	333,074	648	218,332	(20,428)
\$ 85,071	\$ 522,795	\$ 26,000	\$ 321,991	\$ 334,613	\$ 868	\$ 228,310	\$ 195,741

GADSDEN COUNTY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
(Continued)

	Special Revenue			
	GHI	E-911	Building Insp. Fund	CDBG
Assets				
Cash	\$ 13,808	\$ 55,836	\$ 14,938	\$ 2,500
Investments	0	0	0	0
Accounts Receivables (Net of Allowance for Uncollectible)	0	0	233	0
Due from Other Funds	0	0	0	0
Due from Other Governments	0	28,602	14,950	19,998
Total Assets	<u>13,808</u>	<u>84,438</u>	<u>30,121</u>	<u>22,498</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	0	4,933	7,664	22,498
Due to Other Funds	100,000	11,286	0	0
Due to Other Governments	0	0	0	0
Accrued Wages	0	0	0	0
Deferred Revenue	0	68,153	0	0
Total Liabilities	<u>100,000</u>	<u>84,372</u>	<u>7,664</u>	<u>22,498</u>
Fund Balances				
Restricted	0	66	22,457	0
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	(86,192)	0	0	0
Total Fund Balances	<u>(86,192)</u>	<u>66</u>	<u>22,457</u>	<u>0</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 13,808</u>	<u>\$ 84,438</u>	<u>\$ 30,121</u>	<u>\$ 22,498</u>

Debt Service				Capital Projects			
Debt Service Hospital	Debt Service Library	Debt Service Public Works	Debt Service IT Equipment	Capital Projects General	Capital Project Water/Sewer	Capital Project Parks	Capital Projects Road Resurfacing
\$ 1,053,559	\$ 158,885	\$ 917	\$ 193,737	\$ 751,926	\$ 0	\$ 0	\$ 1,380
0	0	646,825	0	80,000	0	0	375,749
0	0	0	0	0	0	0	0
3,351	0	0	0	0	0	0	0
0	184,293	164,484	0	0	0	0	11,396
<u>1,056,910</u>	<u>343,178</u>	<u>812,226</u>	<u>193,737</u>	<u>831,926</u>	<u>0</u>	<u>0</u>	<u>388,525</u>
0	0	0	0	32,497	0	0	5,466
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	96,060	70,104	0	0	0	0	0
<u>0</u>	<u>96,060</u>	<u>70,104</u>	<u>0</u>	<u>32,497</u>	<u>0</u>	<u>0</u>	<u>5,466</u>
1,056,910	0	742,122	0	0	0	0	383,059
0	0	0	0	0	0	0	0
0	247,118	0	193,737	799,429	0	0	0
0	0	0	0	0	0	0	0
<u>1,056,910</u>	<u>247,118</u>	<u>742,122</u>	<u>193,737</u>	<u>799,429</u>	<u>0</u>	<u>0</u>	<u>383,059</u>
<u>\$ 1,056,910</u>	<u>\$ 343,178</u>	<u>\$ 812,226</u>	<u>\$ 193,737</u>	<u>\$ 831,926</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 388,525</u>

GADSDEN COUNTY, FLORIDA
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
(Concluded)

	Constitutional Officer Sheriff Special Revenues	Constitutional Officer Clerk of the Circuit Court	Total Nonmajor Governmental Funds
Assets			
Cash	\$ 344,628	\$ 295,507	\$ 5,219,645
Investments	0	0	1,152,584
Accounts Receivables (Net of Allowance for Uncollectible)	0	0	336,710
Due from Other Funds	143,218	0	165,381
Due from Other Governments	7,945	0	1,088,192
Total Assets	<u>495,791</u>	<u>295,507</u>	<u>7,962,512</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	0	0	383,374
Due to Other Funds	167,342	0	409,395
Due to Other Governments	0	0	94,992
Accrued Wages	0	0	52,947
Deferred Revenue	18,070	0	958,889
Total Liabilities	<u>185,412</u>	<u>0</u>	<u>1,899,597</u>
Fund Balances			
Restricted	310,288	295,507	3,770,193
Committed	91	0	91
Assigned	0	0	2,497,004
Unassigned	0	0	(204,373)
Total Fund Balances	<u>310,379</u>	<u>295,507</u>	<u>6,062,915</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 495,791</u>	<u>\$ 295,507</u>	<u>\$ 7,962,512</u>

GADSDEN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Special Revenue			
	Landfill	Fine and Forfeitures	Indigent Surtax	Emergency Medical Services
Revenues				
Taxes	\$ 0	\$ 0	\$ 1,320,080	\$ 0
Licenses and Permits	0	0	0	0
Intergovernmental	18,334	186,537	0	0
Charges for Services	0	183,533	0	1,832,371
Fines and Forfeitures	0	100,162	0	0
Miscellaneous	153	4,245	0	49,725
Total Revenues	<u>18,487</u>	<u>474,477</u>	<u>1,320,080</u>	<u>1,882,096</u>
Expenditures				
Current:				
General Government	0	0	0	0
Public Safety	0	19,713	0	2,207,519
Physical Environment	255,983	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Human Services	0	0	623,896	0
Court-related	0	0	0	0
Culture and Recreation	0	0	0	0
Debt Service:				
Principal Payments	0	0	0	0
Interest	0	0	0	0
Other	0	0	0	0
Capital Outlay:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Transportation	0	0	0	0
Court Related	0	0	0	0
Culture and Recreation	0	0	0	0
(Total Expenditures)	<u>(255,983)</u>	<u>(19,713)</u>	<u>(623,896)</u>	<u>(2,207,519)</u>
(Deficiency) Excess of Revenues (Under)				
Over Expenditures	<u>(237,496)</u>	<u>454,764</u>	<u>696,184</u>	<u>(325,423)</u>
Other Financing Sources (Uses)				
Transfers in	246,607	6,733,103		150,000
Transfers (out)	0	(7,029,843)	(849,681)	
Debt Proceeds	0	0	0	0
Total Other Financing Sources (Uses)	<u>246,607</u>	<u>(296,740)</u>	<u>(849,681)</u>	<u>150,000</u>
Net Change in Fund Balances	<u>9,111</u>	<u>158,024</u>	<u>(153,497)</u>	<u>(175,423)</u>
Fund Balances, Beginning of Year	<u>157,360</u>	<u>567,841</u>	<u>55,744</u>	<u>306,597</u>
Fund Balances, End of Year	<u>\$ 166,471</u>	<u>\$ 725,865</u>	<u>\$ (97,753)</u>	<u>\$ 131,174</u>

Special Revenue							
State Housing Initiative Partnership	Library Services	Judicial Services Fund	Fire Assessment	Court Facilities	Hospital Operating	Tourist Development	General Grants
\$ 0	\$ 0	\$ 0	\$ 810,246	\$ 0	\$ 0	\$ 95,838	\$ 0
0	0	0	0	0	0	0	0
372,376	314,309	0	0	0	0	0	692,274
0	17,715	130,601	0	293,764	16	0	0
0	0	0	0	0	0	0	58
497	4,947	0	0	554	2	457	27
372,873	336,971	130,601	810,246	294,318	18	96,295	692,359
0	0	0	0	0	0	0	0
0	0	0	826,111	0	0	0	53,923
0	0	0	0	0	0	0	228,226
0	0	0	0	0	0	0	92,880
372,873	0	0	0	0	0	64,075	0
0	0	0	0	0	0	0	0
0	0	268,193	0	122,119	0	0	0
0	847,812	0	0	0	0	0	40,957
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	14,063	0	60,356	0	0	0
0	0	0	0	0	0	0	6,299
(372,873)	(847,812)	(282,256)	(826,111)	(182,475)	0	(64,075)	(422,285)
0	(510,841)	(151,655)	(15,865)	111,843	18	32,220	270,074
0	633,657	157,330	0	0	0	0	127,025
0	(56,679)	0	0	0	0	0	(273,109)
0	0	0	0	0	0	0	0
0	576,978	157,330	0	0	0	0	(146,084)
0	66,137	5,675	(15,865)	111,843	18	32,220	123,990
0	425,033	11,420	148,540	221,231	630	186,112	(144,418)
\$ 0	\$ 491,170	\$ 17,095	\$ 132,675	\$ 333,074	\$ 648	\$ 218,332	\$ (20,428)

GADSDEN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
(Continued)

	Special Revenue			
	GHI	E-911	Building Insp. Fund	CDBG
Revenues				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	0	0	216,172	0
Intergovernmental	0	363,752	0	49,781
Charges for Services	0	0	0	0
Fines and Forfeitures	0	0	0	0
Miscellaneous	0	1,304	0	0
Total Revenues	<u>0</u>	<u>365,056</u>	<u>216,172</u>	<u>49,781</u>
Expenditures				
Current:				
General Government	0	0	0	0
Public Safety	0	248,938	293,478	30,921
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	0	0	0	0
Human Services	120	0	0	0
Court-related	0	0	0	0
Culture and Recreation	0	0	0	0
Debt Service:				
Principal Payments	0	0	0	0
Interest	0	0	0	0
Other	0	0	0	0
Capital Outlay:				
General Government	0	0	0	0
Public Safety	0	0	0	18,860
Transportation	0	0	0	0
Court Related	0	0	0	0
Culture and Recreation	0	0	0	0
(Total Expenditures)	<u>(120)</u>	<u>(248,938)</u>	<u>(293,478)</u>	<u>(49,781)</u>
(Deficiency) Excess of Revenues (Under)				
Over Expenditures	<u>(120)</u>	<u>116,118</u>	<u>(77,306)</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers in	0	0	61,350	0
Transfers (out)	0	(131,197)	0	0
Debt Proceeds	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(131,197)</u>	<u>61,350</u>	<u>0</u>
Net Change in Fund Balances	(120)	(15,079)	(15,956)	0
Fund Balances, Beginning of Year	<u>(86,072)</u>	<u>15,145</u>	<u>38,413</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ (86,192)</u>	<u>\$ 66</u>	<u>\$ 22,457</u>	<u>\$ 0</u>

Debt Service				Capital Projects			
Debt Service Hospital	Debt Service Library	Debt Service Public Works	Debt Service IT Equipment	Capital Projects General	Capital Project Water/Sewer	Capital Project Parks	Capital Project Road Resurfacing
\$ 0	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0	0
0	1,029,516	1,062,283	0	0	512,656	0	488,287
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
1,775	1,264	1,769	781	573	0	4,300	1,202
1,775	1,030,780	1,064,052	781	250,573	512,656	4,300	489,489
0	0	0	0	0	0	0	0
0	0	0	0	267,970	0	0	0
0	0	0	0	0	512,656	0	0
0	0	0	0	0	0	0	109,732
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	94	0
321,022	140,000	565,000	114,303	0	0	0	0
472,915	86,031	249,379	4,664	3,000	0	0	0
0	2,675	5,703	0	0	0	0	0
0	0	0	0	366,965	0	0	0
0	0	0	0	656,759	0	0	0
0	0	0	0	0	0	0	390,762
0	0	0	0	0	0	0	0
0	0	0	0	0	0	71,596	0
(793,937)	(228,706)	(820,082)	(118,967)	(1,294,694)	(512,656)	(71,690)	(500,494)
(792,162)	802,074	243,970	(118,186)	(1,044,121)	0	(67,390)	(11,005)
849,681	0	0	228,194	0	0	28,077	0
0	(787,604)	(265,595)	0	0	0	0	0
0	0	0	0	1,300,000	0	0	0
849,681	(787,604)	(265,595)	228,194	1,300,000	0	28,077	0
57,519	14,470	(21,625)	110,008	255,879	0	(39,313)	(11,005)
999,391	232,648	763,747	83,729	543,550	0	39,313	394,064
\$ 1,056,910	\$ 247,118	\$ 742,122	\$ 193,737	\$ 799,429	\$ 0	\$ 0	\$ 383,059

GADSDEN COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
(Concluded)

	Constitutional Officer Sheriff Special Revenues	Constitutional Officer Clerk of the Circuit Court	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 0	\$ 0	\$ 2,476,164
Licenses and Permits	0	0	216,172
Intergovernmental	36,008	0	5,126,113
Charges for Services	216,015	43,438	2,717,453
Fines and Forfeitures	0	57,929	158,149
Miscellaneous	0	513	74,088
Total Revenues	<u>252,023</u>	<u>101,880</u>	<u>10,768,139</u>
Expenditures			
Current:			
General Government	0	19,293	19,293
Public Safety	527,483	0	4,476,056
Physical Environment	0	0	996,865
Transportation	0	0	202,612
Economic Environment	0	0	436,948
Human Services	0	0	624,016
Court-related	0	0	390,312
Culture and Recreation	0	0	888,863
Debt Service:			
Principal Payments	0	0	1,140,325
Interest	0	0	815,989
Other	0	0	8,378
Capital Outlay:			
General Government	0	69,026	435,991
Public Safety	145,115	0	820,734
Transportation	0	0	390,762
Court Related	0	0	74,419
Culture and Recreation	0	0	77,895
(Total Expenditures)	<u>(672,598)</u>	<u>(88,319)</u>	<u>(11,799,458)</u>
(Deficiency) Excess of Revenues (Under)			
Over Expenditures	<u>(420,575)</u>	<u>13,561</u>	<u>(1,031,319)</u>
Other Financing Sources (Uses)			
Transfers in	407,631	0	9,622,655
Transfers (out)	0	0	(9,393,708)
Debt Proceeds	0	0	1,300,000
Total Other Financing Sources (Uses)	<u>407,631</u>	<u>0</u>	<u>1,528,947</u>
Net Change in Fund Balances	(12,944)	13,561	497,628
Fund Balances, Beginning of Year	<u>323,323</u>	<u>281,946</u>	<u>5,565,287</u>
Fund Balances, End of Year	<u>\$ 310,379</u>	<u>\$ 295,507</u>	<u>\$ 6,062,915</u>

GADSDEN COUNTY, FLORIDA
COMBINING STATEMENT OF FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
SEPTEMBER 30, 2012

	Agency Funds Clerk of the Courts		Agency Funds Sheriff
	Trust Funds	Cash Bond	Civil Account
Assets			
Cash	\$ 1,062,974	\$ 162,187	\$ 7,413
Accounts Receivable	0	0	0
Due from Other Funds	0	0	0
Total Assets	<u>1,062,974</u>	<u>162,187</u>	<u>7,413</u>
Liabilities			
Accounts Payable			
Due to Other Funds	155	0	1,693
Due to Other Governments	89,334	0	0
Installment Tax Deposits	0	0	0
Assets Held for Others	0	0	5,720
Deferred Revenue	0	0	0
Deposits	973,485	162,187	0
Total Liabilities	<u>\$ 1,062,974</u>	<u>\$ 162,187</u>	<u>\$ 7,413</u>

Agency Funds Sheriff			Agency Funds Tax Collector	
Suspense	Confiscated Funds	Commissary and Inmate Welfare	Tax	Totals
\$ 740	\$ 9,446	\$ 11,920	\$ 260,750	\$ 1,515,430
0	0	0	7,109	7,109
350	13,995	0	1,098	15,443
1,090	23,441	11,920	268,957	1,537,982
0	0	0	612	612
0	0	0	5,189	7,037
0	0	0	55,169	144,503
1,090	23,441	11,920	206,301	206,301
0	0	0	0	42,171
0	0	0	1,686	1,686
0	0	0	0	1,135,672
\$ 1,090	\$ 23,441	\$ 11,920	\$ 268,957	\$ 1,537,982

OTHER INFORMATION

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES;
THE PROVISIONS OF THE OFFICE OF MANAGEMENT AND BUDGET
(OMB) CIRCULAR A-133; THE *RULES OF THE AUDITOR GENERAL* OF
THE STATE OF FLORIDA; AND OTHER CONTRACT REQUIREMENTS**

GADSDEN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR YEAR ENDING SEPTEMBER 30, 2012

Federal Grantor/Pass-Through Grantor/ Grant Program	Federal CFDA Number	Grant ID Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through State of Florida Department of Economic Opportunity CDBG Disaster Recovery Program Agreement	14.228	10-DB-K4-02-30-01-K13	\$ 49,781
U.S. Department of the Interior/Fish and Wildlife Service			
Passed through Florida Fish and Wildlife Conservation Commission Sport Fish Restoration - Boat Access Program	15.605	F-187-B	34,201
U.S. Department of Justice			
Gadsden County Sheriff's Office Summer Camp Program	16.738	2009-FJ-BX-1156	9,376
Gadsden County Jail Faith Behind Bars Reentry Program	16.738	2011-DJ-BX-3189	27,503
Subtotal Expenditures - CFDA No.16.738			36,879
Passed Through the State of Florida Office of the Attorney General: Victims of Crime Act	16.575	V11227	36,008
Passed Through the State of Florida Department of Law Enforcement: SCAPP - State Criminal Alien Assistance Program	16.606	2010 - Award	7,711
Gadsden County Anti-Firearm Initiative	16.738	2011-JAGC-GADS-1-B2-072	19,297
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-JAGC-GADS-1-C4-162	59,515
Subtotal Expenditures - CFDA No. 16.738			78,812
Total United States Department of Justice			159,410
U.S. Department of Transportation/Federal Highway Administration			
Passed Through Florida Department of Transportation:			
Local Agency Program Agreement - Apalachicola Northern R/R Depot	20.205	APF19	14,177
Local Agency Program Agreement - Bicycle & Pedestrian	20.205	428103-18-01	84,050
Local Agency Program Agreement - Roadway Beautification	20.205	428100-1-38-01	4,146
Local Agency Program Agreement - Gateway Signage	20.205	428101-1-38-01	10,140
Local Agency Program Agreement - Havana Landscaping	20.205	428098-1-38-01	11,396
Subtotal Expenditures - CFDA No.20.205			123,909
Passed Through City of Tallahassee, Florida: Job Access and Reverse Commute Program	20.516	FL-37-X030-00	46,440
Total U.S. Department of Transportation			170,349

GADSDEN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR YEAR ENDING SEPTEMBER 30, 2012
(Continued)

Federal Grantor/Pass-Through Grantor/ Grant Program	Federal CFDA Number	Grant ID Number	Federal Expenditures
U.S. Election Assistance Commission			
Passed Through Florida Department of State:			
Voter Education Fund	39.011	Appropriation 3174	\$ 191
Federal Election Fund	39.011	Appropriation 3175	1,069
Federal Election Fund	39.011	Appropriation 3257	5,403
Federal Election Fund	39.011	Appropriation 3149	6,286
Total U.S. Election Assistance Commission			<u>12,949</u>
Institute of Museum and Library Services			
Passed Through Florida Department of State:			
LSTA - Engaging Tweens	45.310	11-LSTA-E-02	<u>47,256</u>
U.S. Environmental Protection Agency			
Brownfield Award	66.818	BF-95460910	<u>157,638</u>
U.S. Department of Health and Human Services			
Health Care and Other Facilities	93.887	HRSA # C76HF16347	<u>94,050</u>
Passed Through State of Florida Department of Revenue:			
Child Support Enforcement	93.563	CSS20	10,461
Child Support Reimbursement Payments	93.563	CD320	<u>180,282</u>
Subtotal Expenditures - CFDA No.93.563			<u>190,743</u>
Total U.S. Department of Health and Human Services			<u>284,793</u>
U.S. Department of Homeland Security			
Passed Through State of Florida Department of Community Affairs:			
Emergency Management Preparedness Grant	97.042	12-FG-R3-02-30-01-087	44,632
State Homeland Security Grant Program (SHSGP)	97.067	11-DS-9Z-02-30-01-472	<u>46,548</u>
Total U.S. Department of Homeland Security			<u>91,180</u>
Total Federal Expenditures			<u>1,007,557</u>

GADSDEN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR YEAR ENDING SEPTEMBER 30, 2012
(Continued)

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through/ Grantor Number	State Expenditures
Office of the Governor			
Emergency Management Preparedness Grant	31.063	12-BG-05-02-30-01-020	\$ 83,814
Emergency Management Preparedness Grant	31.063	13-BG-83-02-30-01-020	21,261
Total Office of the Governor			<u>105,075</u>
Florida Department of Environmental Protection			
Small County Solid Waste	37.012	209SC	70,588
Water and Sewer Infrastructure Study	37.039	LP6721	512,656
Total Florida Department of Environmental Protection			<u>583,244</u>
Florida Department of Agriculture and Consumer Services			
Arthropod Control/Mosquito Control	42.003	Contract 017222	18,334
Florida Department of State			
Division of Library and Information Systems:			
State Aid to Libraries 11/12	45.030	12-ST-11	305,136
State Aid to Libraries Prior Year Grants	45.030	Various	51,878
Subtotal Expenditures - CSFA No.45.030			<u>357,014</u>
Total Florida Department of State			<u>357,014</u>
Florida Housing Finance Corporation			
State Housing Initiatives Partnership Grant	52.901	Unknown	372,873
Florida Department of Transportation			
County Incentive Grant Program - Dodger Ball Park Road	55.008	429983-1-58-01	364,378
Public Transportation Joint Participation Agreement	55.012	424624-1-84-01	46,440
Total Florida Department of Transportation			<u>410,818</u>

GADSDEN COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR YEAR ENDING SEPTEMBER 30, 2012
(Concluded)

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ CSFA Number	Pass-Through/ Grantor Number	State Expenditures
Florida Department of Health			
EMS County Grant 10/11	64.005	C0020	\$ 334
EMS County Grant 11/12	64.005	C0020	7,041
Subtotal Expenditures - CSFA No. 64.005			<u>7,375</u>
Total Florida Department of Health			<u>7,375</u>
Florida Department of Management Services			
2011-2012 Rural County Fall Program Award - E911 System Maintenance	72.001	Grant 11-10-06	51,238
2011-2012 Rural County Fall Program Award - Primary E911 System Upgrade	72.001	Grant 11-10-31	128,521
Total Florida Department of Management Services			<u>179,759</u>
Total State Financial Assistance			<u>2,034,492</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u><u>\$ 3,042,049</u></u>

GADSDEN COUNTY, FLORIDA
NOTE TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state award activity of Gadsden County, Florida, and is presented on the modified accrual basis of accounting.

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

Compliance

We have audited the compliance of Gadsden County, Florida, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the Florida Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the County's major federal programs and state projects for the year ended September 30, 2012. The County's major federal programs and state projects are identified in the summary of auditors' 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 programs and state projects is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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 Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, 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 program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the County'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 of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2012.

Certified Public Accountants

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL
(Concluded)**

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state financial assistance project in order to determine the 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 Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis.

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

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards accepted in the United States of America requires us to indicate that this report is intended solely for the information and use of the County's management, Board of County Commissioners, Constitutional Officers, and 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.

Purvis, Gray and Company, LLP

March 27, 2013
Gainesville, Florida

**GADSDEN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Summary of Auditors' Results

1. The independent auditors' report expresses an unqualified opinion on the financial statements of Gadsden County, Florida (the County).
2. *Significant deficiencies* identified during the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the County and the individual reports of the Constitutional Officers, some of which were considered to be material weaknesses.
3. There were no instances of noncompliance identified during the audit of the financial statements reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Governmental Auditing Standards*.
4. The audit disclosed no significant deficiencies and/or material weaknesses in internal control over major federal programs or state projects that are required to be reported in the schedule of findings and questioned costs.
5. The report on compliance for the major federal programs and state projects expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.
7. The programs tested as major federal awards programs and state financial assistance projects included:

<u>Federal Program</u>	<u>CFDA No.</u>
Highway Planning and Construction	20.205
LSTA-Engaging Tweens	45.310
Brownfield Award	66.818
Child Support Enforcement	93.563
<u>State Projects</u>	<u>CSFA No.</u>
County Incentive Grant Program	55.008
State Aid to Libraries	45.030
Water and Sewer Infrastructure Study	37.039

8. The threshold for distinguishing Type A and B programs was \$300,000 for major federal program and state projects.
9. The entity was determined not be a low-risk auditee pursuant to OMB Circular A-133.

GADSDEN COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Concluded)

Financial Statement Findings

Financial statement findings can be found in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* and in the individual reports of the Constitutional Officers.

Findings and Questioned Costs for Major Federal Programs and State Projects

The audit disclosed no findings for major federal programs or state projects to be reported under OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Status of Prior Audit Findings

There were no prior year findings required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

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

Honorable 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, (the County), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 27, 2013. 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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, 2010-2 described below to be a material weakness:

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance. We consider the deficiency, 2010-1 described below to be a significant deficiency.

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

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

Internal Control Over Financial Reporting (Concluded)

■ **2010-1 Adjusting Journal Entries**

Condition—Our testing noted that not all journal entries are reviewed by a second individual.

Effect—Lack of secondary approval or review allows for errors to occur and not be detected in a timely manner.

Recommendation—Secondary review of all journal entries supports a sound internal control environment. We recommend that all journal entries have an independent secondary review.

■ **2010-2 Emergency Medical Services Segregation of Duties**

Condition—It was noted that the Emergency Medical Services (EMS) supervisor and the EMS assistant have the ability to create new customer accounts, bill those accounts, receive payments, prepare deposit slips and write off uncollectible accounts.

Effect—Proper segregation of incompatible duties involves separating job functions so that ideally no one individual is able to authorize a transaction, record the transaction and maintain custody of the assets resulting from the transaction.

Recommendation—We recommend a review of these functions within the EMS Department to ensure that any incompatible duties are either separated or implement compensating controls to mitigate risk.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management in a separate management letter dated March 27, 2013.

The County's response to the findings identified in our audit is included in the accompanying letter prepared by management. We did not audit the County's response and, accordingly, we express no opinion on it. Additional findings and management responses are included in the reports of the Constitutional Officers.

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

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

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards accepted in the United States of America requires us to indicate that this report is intended solely for the information and use of the County's management, the Florida Auditor General and applicable federal and state agencies providing assistance and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

March 27, 2013
Gainesville, Florida

MANAGEMENT LETTER

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

We have audited the financial statements of Gadsden County, Florida (the County), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 27, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our report on internal control over financial reporting and compliance and other matters, report on compliance with requirements applicable to each major federal program and state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports, which are dated March 27, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned reports or schedules:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendation in the preceding annual financial report, except as noted below. Additional corrective actions can be found in the respective reports of the Constitutional Officers.

Status of Prior Year Findings and Recommendations

■ ML 2010-2 Disaster Recovery Plan

The Board does not appear to have a thorough written contingency plan for recovery of information technology infrastructure in the case of a disaster or other catastrophic event. We recommend that a comprehensive plan be developed, updated, and tested to the extent possible to insure continuity of IT operations in the case of a disaster. The information should include detailed documentation of current IT infrastructure, including diagrams and full system wide configurations. Other minimum information to be included is emergency contact information, backup procedures and storage locations, vendor information for replacement equipment and software products, and a priority of the systems to be restored.

As of September 30, 2012, the Board has not developed a comprehensive disaster recovery plan.

Certified Public Accountants

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MANAGEMENT LETTER
(Continued)

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the County complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. Recommendations are included in the respective reports of the Constitutional Officers.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based upon professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of provisions of contraction or grant agreements, fraud, illegal acts, or abuse; and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The County was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The County includes component units as described in Note 1 of the financial statements.
- Section 10.554(1)(i)7.a., *The Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the County does not meet the conditions of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine that the financial report for the County for the fiscal year ended September 30, 2012, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, requires that we apply financial condition assessment procedures. It is management's responsibility to monitor the County'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 same.

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

MANAGEMENT LETTER
(Concluded)

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

March 27, 2013
Gainesville, Florida



GADSDEN COUNTY Board of County Commissioners

Commissioners:
ERIC F. HINSON
District 1

DOUGLAS M. CROLEY
District 2

GENE MORGAN
District 3

BRENDA HOLT
District 4

SHERRIE TAYLOR
District 5

April 8, 2013

Purvis Gray & Company
P. O. Box 23999
Gainesville, Florida 32602-0999

RE: Gadsden County Board of County Commissioners
Management Letter Response

Gentlemen:

In response to your Management Letter received on March 27, 2013, listed herein is our response to each of your findings/comments.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:

2010-1 Adjusting Journal Entries

COMMENT:

Condition – Out testing noted that not all journal entries are reviewed by a second individual.

Effect – Lack of secondary approval or review allows for errors to occur and not be detected in a timely manner.

Recommendation – Secondary review of all journal entries supports a sound internal control environment. We recommend that all journal entries have an independent secondary review.

RESPONSE:

All journal entries are reviewed by the Finance Director. Due to limited staff in the Finance office, periodically it is necessary for the Finance Director to make journal entries as well as review. As staff becomes more knowledgeable through training and experience, it is the intent

of the director to allow staff to make all entries. When training is complete, the Finance Director will only review.

2010-2 Emergency Medical Services Segregation of Duties

COMMENT:

Condition – It was noted that the Emergency Medical Services (EMS) supervisor and the EMS assistant have the ability to create new customer accounts, bill those accounts, receive payments, prepare deposit slips and write off uncollectible accounts.

Effect – Proper segregation of incompatible duties involves separating job functions so that ideally no one individual is able to authorize a transaction, record the transaction and maintain custody of the assets resulting from the transaction.

Recommendation – We recommend a review to these functions within the EMS Department to ensure that any incompatible duties are either separated or implement compensating controls to mitigate risk.

RESPONSE:

EMS has developed a policy to address separation of duties between the two staff persons within the office. The Department Director will oversee the receipt of payments and deposits. The Director will also be the sole individual to authorize write off of uncollectible accounts so that no one individual is able to authorize a transaction, record the transaction and maintain custody of the assets resulting from a transaction.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS:

ML 2010-2 Disaster Recovery Plan

COMMENT:

The Board does not appear to have a thorough written contingency plan for recovery of information technology infrastructure in the case of a disaster or other catastrophic event. We recommend that a comprehensive plan be developed, updated, and tested to the extent possible to insure continuity of IT operations in the case of a disaster. The information should include detailed documentation of current IT infrastructure, including diagrams and full system wide configurations. Other minimum information to be included is emergency contact information, backup procedures and storage locations, vendor information for replacement equipment and software products, and a priority of the systems to be restored.

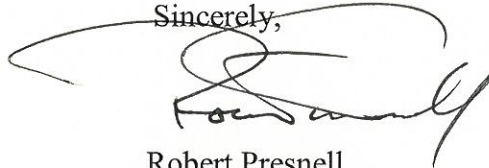
As of September 30, 2012, the Board has not developed a comprehensive disaster recovery plan.

RESPONSE:

The Board of County Commissioner's Information Technology Division has developed a draft written disaster recovery plan. The document is being reviewed and edited prior to submission to the Board for approval. The disaster recovery plan should be in place prior to the end of FY 2013.

We are also pleased to acknowledge the annual audit revealed no other findings or disclosures.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Presnell', with a large, sweeping flourish extending to the left.

Robert Presnell
County Administrator
Gadsden County, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Honorable Nicholas Thomas
Gadsden County Clerk of the Circuit Court
Gadsden County, Florida

We have audited the accompanying special purpose financial statements of the Clerk of the Circuit Court of Gadsden County, Florida, (the Clerk), as of and for the year ended September 30, 2012, as listed in the table of contents. These special purpose financial statements are the responsibility of the Clerk'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices prescribed by, the *Rules of the Auditor General*, State of Florida, which practices differ from accounting principles generally accepted in the United States of America. The differences include the permitted omission of entity-wide, full accrual, financial statements and the management's discussion and analysis. In addition, the financial statements referred to above are intended to present the financial position and changes in financial position of only that portion of Gadsden County, Florida, that is attributable to the transactions of the Clerk. They do not purport to, and do not, present fairly the financial position of Gadsden County, Florida as a whole, as of September 30, 2012, and the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 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 as of September 30, 2012, the results of each of the major funds' operations, and the respective budgetary comparisons of each of the major funds, for the year then ended, in conformity with the basis of accounting described in Note 1.

Certified Public Accountants

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The Honorable Nicholas Thomas
Gadsden County Clerk of the Circuit Court
Gadsden County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2013, on our consideration of the Clerk'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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Clerk's financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the special purpose financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and certain additional procedures, including comparing and reconciling such financial statements or to the special purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the special purpose financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Gadsden County 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.

Purvis, Gray and Company, LLP

March 29, 2013
Gainesville, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT**

	Major			Total
	General Fund	Court Fund	Public Records Trust Fund	Governmental Funds
Assets				
Cash	\$ 38,710	\$ 131,878	\$ 295,507	\$ 466,095
Due from Individuals	0	11	0	11
Due from Other Funds	153	2	0	155
Due from Other Governments	21,544	8,875	0	30,419
Total Assets	<u>60,407</u>	<u>140,766</u>	<u>295,507</u>	<u>496,680</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	37,419	3,021	0	40,440
Due to Other Governments	0	65,118	0	65,118
Accrued Wages and Benefits	22,988	72,627	0	95,615
Total Liabilities	<u>60,407</u>	<u>140,766</u>	<u>0</u>	<u>201,173</u>
Fund Balances				
Restricted for Records Modernization	<u>0</u>	<u>0</u>	<u>295,507</u>	<u>295,507</u>
Total Fund Balances	<u>0</u>	<u>0</u>	<u>295,507</u>	<u>295,507</u>
Total Liabilities and Fund Equity	<u>\$ 60,407</u>	<u>\$ 140,766</u>	<u>\$ 295,507</u>	<u>\$ 496,680</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT**

	Major			Total
	General Fund	Court Fund	Public Records Trust Fund	Governmental Funds
Revenues				
Intergovernmental Revenues	\$ 180,282	\$ 1,167,635	\$ 0	\$ 1,347,917
Charges for Services	126,194	0	101,367	227,561
Interest	854	0	513	1,367
Miscellaneous	31,596	0	0	31,596
Total Revenues	338,926	1,167,635	101,880	1,608,441
Expenditures				
General Government:				
Personal Services	786,380	0	19,293	805,673
Operating Expenditures	103,457	0	0	103,457
Capital Outlay	42,441	0	69,026	111,467
Court Related:				
Personal Services	0	1,045,089	0	1,045,089
Operating Expenditures	0	122,546	0	122,546
(Total Expenditures)	(932,278)	(1,167,635)	(88,319)	(2,188,232)
(Deficiency) Excess of Expenditures (Under) Over Revenues	(593,352)	0	13,561	(579,791)
Other Financing Sources				
Transfers in	593,352	0	0	593,352
Total Other Financing Sources (Uses)	593,352	0	0	593,352
Change in Fund Balances	0	0	13,561	13,561
Fund Balance, Beginning of Year	0	0	281,946	281,946
Fund Balance, End of Year	\$ 0	\$ 0	\$ 295,507	\$ 295,507

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental Revenues	\$ 172,000	\$ 180,282	\$ 180,282	\$ 0
Charges for Services	117,990	126,194	126,194	0
Interest	1,000	854	854	0
Miscellaneous	27,080	31,596	31,596	0
Total Revenues	<u>318,070</u>	<u>338,926</u>	<u>338,926</u>	<u>0</u>
Expenditures				
General Government:				
Personal Services	812,962	779,295	779,293	2
Operating Expenditures	73,018	103,457	116,585	(13,128)
Capital Outlay		49,528	36,400	13,128
(Total Expenditures)	<u>(885,980)</u>	<u>(932,280)</u>	<u>(932,278)</u>	<u>2</u>
(Deficiency) of Expenditures				
(Under) Revenues	<u>(567,910)</u>	<u>(593,354)</u>	<u>(593,352)</u>	<u>2</u>
Other Financing Sources (Uses)				
Transfers in	567,910	593,354	593,352	(2)
Total Other Financing Sources (Uses)	<u>567,910</u>	<u>593,354</u>	<u>593,352</u>	<u>(2)</u>
Net Change in Fund Balance	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>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Continued)**

	Court Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental Revenues	\$ 1,165,128	\$ 1,165,128	\$ 1,167,635	\$ 2,507
Total Revenues	<u>1,165,128</u>	<u>1,165,128</u>	<u>1,167,635</u>	<u>2,507</u>
Expenditures				
Court Related:				
Personal Services	1,039,831	1,039,831	1,045,089	(5,258)
Operating Expenditures	<u>125,297</u>	<u>125,297</u>	<u>122,546</u>	<u>2,751</u>
(Total Expenditures)	<u>(1,165,128)</u>	<u>(1,165,128)</u>	<u>(1,167,635)</u>	<u>(2,507)</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Concluded)**

	Public Records Trust Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for Services	\$ 0	\$ 102,367	\$ 101,367	\$ (1,000)
Interest	0	256	513	257
Total Revenues	<u>0</u>	<u>102,623</u>	<u>101,880</u>	<u>(743)</u>
Expenditures				
General Government:				
Personal Services	0	19,293	19,293	0
Capital Outlay		69,026	69,026	0
(Total Expenditures)	<u>0</u>	<u>(88,319)</u>	<u>(88,319)</u>	<u>0</u>
Excess of Expenditures Over Revenues	<u>0</u>	<u>14,304</u>	<u>13,561</u>	<u>(743)</u>
Net Change in Fund Balance	0	14,304	13,561	(743)
Fund Balances, Beginning of Year	<u>22,576</u>	<u>185,503</u>	<u>281,946</u>	<u>96,443</u>
Fund Balances, End of Year	<u>\$ 22,576</u>	<u>\$ 199,807</u>	<u>\$ 295,507</u>	<u>\$ 95,700</u>

See accompanying notes to financial statements.

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
SEPTEMBER 30, 2012
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT**

Assets

Cash	\$ 1,225,161
Total Assets	<u><u>1,225,161</u></u>

Liabilities

Due to Other Governments	89,334
Deposits	1,135,672
Due to Other Funds	<u>155</u>
Total Liabilities	<u><u>\$ 1,225,161</u></u>

See accompanying notes to financial statements.

**NOTES TO SPECIAL PURPOSE
FINANCIAL STATEMENTS**

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS GADSDEN COUNTY CLERK OF THE CIRCUIT COURT

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Gadsden County, Florida, (the County), 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(d), *Constitution of the State of Florida*.

The Clerk of the Circuit Court (the Clerk) is an elected Constitutional Officer of the County pursuant to Article VIII, Section (1) of the *Constitution of the State of 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 a part of the primary government of the County, and the financial activities of the Clerk are included as such in the County's 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 Clerk only. There are no component units for the Clerk to consider for inclusion in these special purpose financial statements.

The Clerk funds his noncourt operations as a Budget Officer and a Fee Officer pursuant to Florida Statutes, Chapters 28, 129 and 218, respectively. As a Budget Officer, the operations of the Clerk are funded by the County's General Fund. Prior to July 1, 2009, as a Fee Officer, the operations of the Clerk were funded from fees and charges authorized under Chapter 2004-265, Laws of Florida. Beginning July 1, 2009, the Clerk's court-related operations were funded from the State's general appropriations, pursuant to Chapter 2009-204, Laws of Florida. The receipts from the County's General Fund are recorded as other financing sources on the Clerk's General Fund financial statements. Any excess of revenues and other financing sources received over expenditures of the General Fund are remitted to the County's General Fund at year-end. Any excess of revenues over court-related expenditures of the Court Fund are remitted to the State of Florida at year-end.

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

The accompanying financial statements include all the funds and accounts of the Clerk's office, but are not a complete presentation of the County as a whole. The accompanying financial statements are special purpose financial statements because they were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557, *Rules of the Auditor General—Local Governmental Audits*. Section 10.556(4), *Rules of the Auditor General—Local Governmental Entity Audits*, requires the Clerk to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures, including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Clerk as of September 30, 2012, and the changes in its financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. generally accepted accounting principles (GAAP).

STATEMENTS NOTES TO SPECIAL PURPOSE FINANCIAL
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Continued)

Note 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**

● **Major Funds**

▶ **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.

▶ **Court Fund**

The Court Fund was established to account for court-related revenues and expenditures and are required to be reported separately from the Clerk's General Fund activities.

▶ **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 the public records system of the Clerk's office and additional court-related operational needs and program enhancements.

■ **Fiduciary Fund Type**

● **Agency Fund**

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.

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 modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. The Clerk considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which are not recorded until paid. Charges for services and investment revenue are recorded as earned.

**STATEMENTS NOTES TO SPECIAL PURPOSE FINANCIAL
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

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 reserves 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 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.

During the 2009 legislative session, the Florida legislature reduced state-wide funding for the Clerk’s budgets for the current fiscal year. The legislature changed any future budget to a State fiscal year of July 1 to June 30. The Clerk’s funding process was also changed to an appropriation from the State of Florida rather than the existing revenue model. All court revenues will be collected and disbursed monthly to the State. The fiscal year for the Clerk continues to be from October 1 to September 30, and any unexpected appropriation for the Clerk’s budget is rolled into the new fiscal year.

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. Appropriations lapse at the end of the fiscal year to the extent they have not been expended, except for the Clerk’s Court Funds, which lapse at the end of the State year in June.

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 28.53(3)(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 (CCOC) by October 1, preceding the fiscal year of the budget, in the format required by CCOC. CCOC verifies that the proposed budget is limited to court-related functions. Section 28.36, Florida Statutes also defines the maximum annual budget permitted. With the 2010 legislative changes, CCOC will submit a Legislative Budget Request for all Clerks that will result in an appropriation by the legislature.

Increases to the court functions’ budget must be submitted to and approved by the CCOC. Transfers of approved budget funds between accounts and appropriation categories (personal services, operating expenses, capital outlay and nonoperating) 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 CCOC and/or the Board.

**STATEMENTS NOTES TO SPECIAL PURPOSE FINANCIAL
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Continued)**

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 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.

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 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 noncourt 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.

**STATEMENTS NOTES TO SPECIAL PURPOSE FINANCIAL
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Transfers In and Out (Concluded)

In accordance with Section 218.36, Florida Statutes, all General Fund noncourt-related revenues in excess of noncourt-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. With the 2010 legislative changes, all court-related revenues are considered state funds and are remitted to the Department of Revenue for deposit into the Clerk's Trust Fund within the Justice Administration Commission.

Deferred Revenue

Deferred revenue consists of amounts received from the State's court appropriation which apply to the following fiscal period.

Fund Balance Reporting

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

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because (a) they are not expected to be converted to cash or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Clerk does not have any nonspendable funds.
- **Restricted**—This component of fund balance consists of amounts that are constrained either (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., ordinance or resolution) of the County's governing body. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (e.g., ordinance or resolution) it employed previously to constrain those amounts.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The Clerk has not delegated the responsibility to assign fund balances to any individual or body.

**STATEMENTS NOTES TO SPECIAL PURPOSE FINANCIAL
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Concluded)

Fund Balance Reporting (Concluded)

- **Unassigned**—This classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the General Fund that are not restricted, committed or assigned.

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

Note 2 - Cash

As of September 30, 2012, the Clerk had the following in cash:

	Carrying Amount
Cash on Hand	\$ 1,000
Deposits in Qualified Public Depositories	<u>1,690,256</u>
Total Cash	<u>\$ 1,691,256</u>

Credit Risk

The Clerk's investment practices are governed by Section 218.415(17), Florida Statutes, which provides for the following authorized investments:

- The Florida PRIME (formerly the Local Government Surplus Trust Funds Investment Pool) or any authorized intergovernmental investment pool.
- Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- Direct obligations of the U.S. Treasury.

The Clerk 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 Section 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 deposit balances at September 30, 2012, were \$1,866,351.

**STATEMENTS NOTES TO SPECIAL PURPOSE FINANCIAL
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Continued)**

Note 3 - Employees' Retirement and Benefit Plans

The Clerk and all full-time employees of the Clerk are eligible to participate in the Florida Retirement System (the System). This System was created by the Florida Legislature 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. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

Employees participating in the System are entitled to a retirement benefit, payable monthly for life. If employed prior to July 1, 2011, the System provides for vesting of benefits after six years of creditable service. The vesting requirement changes to eight years of creditable service for those employed on or after July 1, 2011. For those employed prior to July 1, 2011, normal retirement is after 30 years of service or age 62. If employed on or after July 1, 2011, normal retirement is after 33 years of service or age 65. The monthly benefit received is equal to the product of: (1) average monthly compensation in the highest five years of creditable service; (2) creditable service during the appropriate period; and (3) the appropriate benefit percentage. Vested employees may retire early and receive reduced retirement benefits. Employees participating in the Investment Plan are vested after one year of service with no age requirement. The System also provides death benefits, disability benefits and cost-of-living adjustments. Benefits are established by Florida Statute.

The Florida Legislature has established a uniform contribution rate system for the System covering both the Pension Plan and the Investment Plan. Prior to July 1, 2011, members were not required to make employee contributions. Effective July 1, 2011, all System members (except those in DROP) are required to contribute 3% of their gross compensation on a pre-tax basis. The fiscal year-end June 30, 2012 and 2011, contribution rates by member class are as follows: regular members (5.18% and 4.91%), senior management employees (6.30% and 6.27%), for DROP employees (5.44% and 4.42%), and elected officials (10.23% and 11.14%). The employer contributions paid for the years ended September 30, 2012, 2011, and 2010, were \$83,024, \$157,220, and \$170,978, respectively, which is equal to the required contribution for each year.

Note 4 - Long-term Liabilities

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

	Balance			Balance
	<u>October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2012</u>
Liability for Compensated				
Absences	\$ 146,244	\$ 122,596	\$ (121,726)	\$ 147,114
Other Postemployment				
Benefits	59,700	11,800	(6,900)	64,600
Total	<u>\$ 205,944</u>	<u>\$ 134,396</u>	<u>\$ (128,626)</u>	<u>\$ 211,714</u>

**STATEMENTS NOTES TO SPECIAL PURPOSE FINANCIAL
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Continued)**

Note 4 - Long-term Liabilities (Concluded)

Of the \$147,114 liability for accrued compensated absences, management estimates that \$74,782 will be due and payable within one year. The long-term liabilities are not reported in the financial statements of the Clerk since it is not payable from available resources at September 30, 2012. As discussed in Note 1, they are reported in the statement of net assets in the government-wide financial statements of the County.

Other postemployment benefits represent the portion of the liability based upon current and retired employees of the Clerk's office. See Note 8 for a description of other postemployment benefits.

Note 5 - Operating Leases

The Clerk has noncancelable operating leases for copiers and a postage meter which expire in November 2013, March 2014, and July 2014, respectively. The Clerk also has an operating lease for copiers, which is on a 90-day renewal period. For the year ended September 30, 2012, the equipment lease expense was \$28,069.

Future rental payments for the leases are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 28,069
2014	8,050
Total	<u><u>\$ 36,119</u></u>

Note 6 - 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.

STATEMENTS NOTES TO SPECIAL PURPOSE FINANCIAL
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT
(Concluded)

Note 7 - Other Disclosures

The Court Fund had expenditures in excess of appropriations in the amount of \$2,507 at September 30, 2012. This resulted from the timing of when expenditures were incurred on the Clerk's fiscal year versus the approved budget which is on the State's fiscal year. Final budget to actual expenditures will be reported as of June 30, 2013. This is not considered a violation of the court-related budget.

Note 8 - Other Postemployment Benefits

Plan Description—The Clerk participates in an agent single-employer plan under which qualified retired employees are permitted to participate in the health, dental, vision and life insurance benefits program (the Program). A stand alone financial report is not issued for the Program.

Funding Policy—Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

Annual OPEB Cost and Net OPEB Obligation—The Clerk's OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years.

The Clerk's portion of the OPEB liability as of September 30, 2012, totaled \$64,600. This liability will be included in long-term liabilities in the County-wide financial statements. Details and other disclosures can be found in the County-wide annual financial report.

SUPPLEMENTARY INFORMATION

**COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2012
GADSDEN COUNTY CLERK OF THE CIRCUIT COURT**

	General Trust	Cash Bonds	Total of All Agency Funds
Assets			
Cash	\$ 1,062,974	\$ 162,187	\$ 1,225,161
Total Assets	<u>1,062,974</u>	<u>162,187</u>	<u>1,225,161</u>
Liabilities			
Due to Other Governments	89,334	0	89,334
Deposits	973,485	162,187	1,135,672
Due to Other Funds	155	0	155
Total Liabilities	<u>\$ 1,062,974</u>	<u>\$ 162,187</u>	<u>\$ 1,225,161</u>

OTHER REPORTS

**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 Honorable Nicholas Thomas
Gadsden County 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, (the Clerk), as of and for the year ended September 30, 2012, and have issued our report thereon dated March 29, 2013, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons. 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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clerk'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*.

Certified Public Accountants

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

The Honorable Nicholas Thomas
Gadsden County Clerk of the Circuit Court
Gadsden County, Florida

**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
(Concluded)**

Compliance and Other Matters (Concluded)

We noted certain matters that we have reported to management of the Clerk in a separate letter dated March 29, 2013.

The Clerk's response to the findings identified in our audit is described in the accompanying Management's Response. We did not audit the Clerk's response and, accordingly, we express no opinion on it.

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

Purvis, Gray and Company, LLP

March 29, 2013
Gainesville, Florida

MANAGEMENT LETTER

The Honorable Nicholas Thomas
Gadsden County Clerk of the Circuit Court
Gadsden County, Florida

We have audited the special purpose financial statements of the Gadsden County, Florida, Clerk of the Circuit Court (the Clerk), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 29, 2013, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and on compliance and other matters. Disclosures in that report, which is dated March 29, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule.

- *Rules of the Auditor General*, Section 10.554(1)(i)1., requires 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- *Rules of the Auditor General*, Section 10.554(1)(i)2., requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Clerk complied with Section 218.415, Florida Statutes.
- *Rules of the Auditor General*, Section 10.554(1)(i)3., requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we offer the following recommendation.
- *Rules of the Auditor General*, Section 10.554(1)(i)4., requires that we address violations of provisions of contracts or grants agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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The Honorable Nicholas Thomas
Gadsden County Clerk of the Circuit Court
Gadsden County, Florida

MANAGEMENT LETTER

(Continued)

- *Rules of the Auditor General*, Section 10.554(1)(i)5., provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- *Rules of the Auditor General*, Section 10.554(1)(i)6., requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the 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.
- *Rules of the Auditor General*, Section 10.554(1)(i)8., requires a statement as to whether or not the clerk of courts complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, and with the exception of the current year recommendations below, we determined that the Clerk complied with the performance measures and standards and the budget pursuant to Section 28.35 and Section 28.36, Florida Statutes.

2012-1—Failure to Achieve Performance Measure Standards

In accordance with Section 28.35(2)(d), Florida Statutes, the Clerk of Court Operations Corporation (CCOC) has developed and certified a uniform system of performance measures and standards for court-related functions. We noted that the Clerk did not meet the standards established by the CCOC for the period of October 2011 to September 2012 for the following court/case type collection measure standards:

- ▶ Circuit Criminal—CCOC Standard is 9%; the Clerk did not meet this standard for the reporting period ending December 31, 2010 (October 1, 2010 through December 31, 2011).
- ▶ County Criminal—CCOC Standard is 40%; the Clerk did not meet this standard for the reporting periods ending: December 31, 2010 (October 1, 2010 through December 31, 2011), March 31, 2011 (January 1, 2011 through March 31, 2012), and September 30, 2011 (July 1, 2011 through September 30, 2012).
- ▶ Civil Traffic—CCOC Standard is 90%; the Clerk did not meet this standard for any reporting period.
- ▶ Juvenile Delinquency—CCOC Standard is 9%; the Clerk did not meet this standard for any reporting period.
- ▶ Juror Management (timely juror payments)—CCOC Standard is 100%; the Clerk did not meet this standard for the following periods ending: June 30, 2012, and September 30, 2012.

The Honorable Nicholas Thomas
Gadsden County Clerk of the Circuit Court
Gadsden County, Florida

MANAGEMENT LETTER
(Concluded)

2012-1—Failure to Achieve Performance Measure Standards (Concluded)

We noted that the Clerk did not meet the standards established by the COCC for the period of October 2011 to September 2012, for the following court/case type timeliness measure standards:

- ▶ Criminal Traffic—Timeliness Measure #1. CCOC Standard is 80%; the Clerk did not meet this standard for the quarters ending: December 31, 2011 and June 30, 2012.
- ▶ Civil Traffic—Timeliness Measure #1. CCOC Standard is 80%; the Clerk did not meet this standard for the any reporting period.

We recommend that the Clerk continue to implement the Correction Action Plan that has been submitted to the CCOC.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

March 29, 2013
Gainesville, Florida

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

April 9, 2013

Purvis Gray & Company
443 East College Avenue
Tallahassee, FL 32301

Dear Sirs:

This letter is in response to the management letter comments regarding the annual audit of the Clerk of the Circuit Court, Gadsden County, Florida as of and for the year ended September 30, 2012.

2012-1 Failure to Achieve Performance Measure Standards

COMMENT:

Condition – Timeliness and Collection Rate Standards not met.

Recommendation – Clerk continue to implement the Correction Action Plan that has been submitted to the CCOC.

RESPONSE:

As recommended the Clerk will continue implementation of the Corrective Action Plan as submitted to the CCOC and will continue with efforts to attain the Performance Measure Standards as set forth in Florida Statute Section 38.35(2)(d).

Criminal Traffic – Timeliness Measure #1
Civil Traffic – Timeliness Measure #1

The performance standards of timeliness and collection rates were developed when the Clerk's budgets were fully funded. Since the enactment of these standards the State of Florida has reduced the Clerk's court operating budget by approximately 20%. Due to the reduction there has been an open position in the Traffic Division. This position has now been filled. The Clerk of the Circuit Court meets 8 of the 10 timeliness measures.

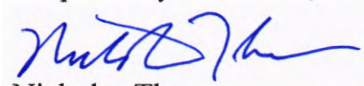
Circuit Criminal – CCOC Collection Rate
County Criminal – CCOC Collection Rate
Civil Traffic – CCOC Collection Rate
Juvenile Delinquency – CCOC Collection Rate

The economy has impacted the Clerk's ability to collect assessments for the above court divisions. The Clerk's office will continue to encourage individuals to pay on their cases using all the tools at our disposal. Of the 9 collections standards we are meeting 5 of them. To aid collections a minimum payment requirement has been instituted in the Criminal Divisions.

Juror Management – Timely juror payments

The Clerk's staff instructs Jurors on the proper procedures to submit the required paperwork to ensure timely payments. When jurors do not submit the required paperwork within the allotted timeframe this will cause those payments to be outside of the twenty days.

Respectfully submitted,



Nicholas Thomas

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY SHERIFF
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY SHERIFF
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Honorable Morris A. Young
Gadsden County Sheriff
Gadsden County, Florida

We have audited the accompanying special purpose financial statements of each major fund and the aggregate remaining fund information of the Gadsden County, Florida, Sheriff (the Sheriff), as of and for the year ended September 30, 2012, as listed in the table of contents. These special purpose financial statements are the responsibility of the Sheriff'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 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 the 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 to the financial statements, the financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices prescribed by, the *Rules of the Auditor General*, State of Florida, which practices differ from accounting principles generally accepted in the United States of America. The differences include the permitted omission of entity-wide, full accrual, financial statements and the management's discussion and analysis. In addition, the financial statements referred to above are intended to present the financial position and changes in financial position of only that portion of Gadsden County, Florida, that is attributable to the transactions of the Sheriff. They do not purport to, and do not, present fairly the financial position of Gadsden County, Florida, as a whole as of September 30, 2012, and the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major funds and the aggregate remaining fund information of the Sheriff, as of September 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for the major funds for the year then ended in conformity with the basis of accounting described in Note 1.

Certified Public Accountants

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

The Honorable Morris A. Young
Gadsden County Sheriff
Gadsden County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2013, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying other financial information is presented for purposes of additional analysis and is not a required part of the special purpose financial statements. The other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the special purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose financial statements or to the special purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Purvis, Gray and Company, LLP

March 29, 2013
Gainesville, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
GADSDEN COUNTY SHERIFF**

	Major Funds			Other	Total
	General Fund	Radio Communications	Inmate Welfare	Governmental Funds	Governmental Funds
Assets					
Cash	\$ 257,024	\$ 80,763	\$ 245,344	\$ 18,521	\$ 601,652
Due from Other Funds	169,036	17,415	0	0	186,451
Due from Board of County Commissioners	0	0	0	125,803	125,803
Due from Other Governments	0	0	0	7,945	7,945
Total Assets	426,060	98,178	245,344	152,269	921,851
Liabilities and Fund Balance					
Liabilities					
Accounts Payable and Accrued Expenses	342,693	0	0	0	342,693
Due to Board of County Commissioners	51,606	0	0	0	51,606
Due to Other Funds	31,761	547	32,687	134,108	199,103
Deferred Revenues	0	0	0	18,070	18,070
Total Liabilities	426,060	547	32,687	152,178	611,472
Fund Balances					
Restricted:					
Radio Communications	0	97,631	0	0	97,631
Inmate Welfare	0	0	212,657	0	212,657
Committed:					
Teen Court	0	0	0	91	91
Total Fund Balances	0	97,631	212,657	91	310,379
Total Liabilities and Fund Balances	\$ 426,060	\$ 98,178	\$ 245,344	\$ 152,269	\$ 921,851

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY SHERIFF**

	Major Funds			Other	Total
	General Fund	Radio Communications	Inmate Welfare	Governmental Funds	Governmental Funds
Revenues					
Intergovernmental Revenue	\$ 0	\$ 101,347	\$ 84,883	\$ 65,793	\$ 252,023
Miscellaneous Revenue	5,322	0	0	0	5,322
Total Revenues	<u>5,322</u>	<u>101,347</u>	<u>84,883</u>	<u>65,793</u>	<u>257,345</u>
Expenditures					
Public Safety:					
Personal Services	5,051,301	0	32,688	363,279	5,447,268
Operating	1,720,729	32,425	38,277	60,814	1,852,245
Capital Outlay	371,634	93,084	0	52,031	516,749
Debt Service:					
Principal	203,316	0	0	0	203,316
Interest	5,581	0	0	0	5,581
(Total Expenditures)	<u>(7,352,561)</u>	<u>(125,509)</u>	<u>(70,965)</u>	<u>(476,124)</u>	<u>(8,025,159)</u>
(Deficiency) Excess of Expenditures					
(Under) Over Revenues	<u>(7,347,239)</u>	<u>(24,162)</u>	<u>13,918</u>	<u>(410,331)</u>	<u>(7,767,814)</u>
Other Financing Sources (Uses)					
Transfers from Board					
of County Commissioners	7,026,518	0	0	407,631	7,434,149
Transfers to Board					
of County Commissioners	(8,474)	0	0	0	(8,474)
Installment Purchase	329,195	0	0	0	329,195
Total Other Financing Sources (Uses)	<u>7,347,239</u>	<u>0</u>	<u>0</u>	<u>407,631</u>	<u>7,754,870</u>
Net Change in Fund Balances	0	(24,162)	13,918	(2,700)	(12,944)
Fund Balances, Beginning of Year	0	121,793	198,739	2,791	323,323
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 97,631</u>	<u>\$ 212,657</u>	<u>\$ 91</u>	<u>\$ 310,379</u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY SHERIFF**

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Miscellaneous Revenue	\$ 5,322	\$ 5,322	\$ 5,322	\$ 0
Total Revenues	<u>5,322</u>	<u>5,322</u>	<u>5,322</u>	<u>0</u>
Expenditures				
Public Safety:				
Personal Services	5,050,527	5,050,527	5,051,301	(774)
Operating	1,729,966	1,729,966	1,720,729	9,237
Capital Outlay	42,441	371,636	371,634	2
Debt Service:				
Principal	203,316	203,316	203,316	0
Interest	5,590	5,590	5,581	9
(Total Expenditures)	<u>(7,031,840)</u>	<u>(7,361,035)</u>	<u>(7,352,561)</u>	<u>8,474</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(7,026,518)</u>	<u>(7,355,713)</u>	<u>(7,347,239)</u>	<u>8,474</u>
Other Financing Sources (Uses)				
Transfers in	7,026,518	7,026,518	7,026,518	0
Transfers (out)	0	0	(8,474)	(8,474)
Installment Purchase	0	329,195	329,195	0
Total Other Financing Sources (Uses)	<u>7,026,518</u>	<u>7,355,713</u>	<u>7,347,239</u>	<u>(8,474)</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>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - RADIO COMMUNICATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY SHERIFF**

	Radio Communications Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Charges for Services	\$ 125,510	\$ 125,510	\$ 101,347	\$ (24,163)
Total Revenues	125,510	125,510	101,347	(24,163)
Expenditures				
Public Safety:				
Operating	32,225	32,225	32,425	(200)
Capital Outlay	93,285	93,285	93,084	201
(Total Expenditures)	(125,510)	(125,510)	(125,509)	1
Net Change in Fund Balances	0	0	(24,162)	(24,162)
Fund Balances, Beginning of Year	0	0	121,793	121,793
Fund Balances, End of Year	\$ 0	\$ 0	\$ 97,631	\$ 97,631

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - INMATE WELFARE
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY SHERIFF**

	Inmate Welfare			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Miscellaneous Revenue	\$ 70,965	\$ 70,965	\$ 84,883	\$ 13,918
Total Revenues	70,965	70,965	84,883	13,918
Expenditures				
Public Safety:				
Personal Services	32,765	32,765	32,688	77
Operating	38,200	38,200	38,277	(77)
(Total Expenditures)	(70,965)	(70,965)	(70,965)	0
Net Change in Fund Balances	0	0	13,918	13,918
Fund Balances, Beginning of Year	0	0	198,739	198,739
Fund Balances, End of Year	\$ 0	\$ 0	\$ 212,657	\$ 212,657

See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2012
GADSDEN COUNTY SHERIFF

Assets	
Cash	\$ 29,519
Due from Other Funds	<u>14,345</u>
Total Assets	<u><u>43,864</u></u>
Liabilities	
Due to Other Funds	1,693
Assets Held for Others	<u>42,171</u>
Total Liabilities	<u><u>\$ 43,864</u></u>

See accompanying notes to financial statements.

**NOTES TO SPECIAL PURPOSE
FINANCIAL STATEMENTS**

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Gadsden County, Florida, (the 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 Chapter 218, 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 a part of the primary government of the County, and the financial activities of the Sheriff are included as such in the comprehensive 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 Sheriff only. There are no component units for the Sheriff to consider for inclusion in its 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

The accompanying financial statements include all the funds and accounts of the Sheriff's office, but are not a complete presentation of the County as a whole. The accompanying financial statements are special purpose financial statements because they were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557, *Rules of the Auditor General—Local Governmental Entity Audits*.

Section 10.556(4), *Rules of the Auditor General—Local Governmental Entity Audits* requires the Sheriff to only present fund financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures, including management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Sheriff as of September 30, 2012, and the changes in its financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. generally accepted accounting principles (GAAP).

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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

The Sheriff reports the following major and nonmajor governmental funds:

■ **Major Governmental Funds**

- **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.
- **Radio Communications**—A Special Revenue Fund which accounts for activities related to moving violation fines restricted for use for the radio communications program and local law enforcement automation.
- **Inmate Welfare**—A Special Revenue Fund which accounts for commissions received from pay telephones and commissary profits restricted for the benefit of inmates.

■ **Nonmajor Governmental Funds**

- **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:”
 - ▶ **VOCA**—Accounts for the activities related to funds received from the Florida Attorney General for use related to the Victims Crime Act.
 - ▶ **E-911**—Accounts for the activities related to funds received from the Florida Department of Management Services for the prorated share of E-911 cell phone tax.
 - ▶ **Emergency Management**—Accounts for the activities related to establishing and maintaining disaster assistance services.
 - ▶ **Justice Assistance**—These two funds account for the activities related to funds received from the Florida Department of Law Enforcement for the Justice Assistance Grant and the related program income.
 - ▶ **Teen Court**—Accounts for the activities related to establishing and maintaining a teen court pursuant to the County ordinance Section 26-1.
 - ▶ **Victims Special**—Accounts for the activities related to funds received from the State of Florida for the Victim Advocates’ Assistance Emergency Fund.
 - ▶ **SCAAP**—Accounts for the activities related to funds received from the Department of Justice Assistance for State Criminal Alien Assistance Program.
 - ▶ **JAG**—Accounts for the activities related to the grant funds received from the U.S. Department of Justice for personnel related expenses

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Concluded)

■ **Nonmajor Governmental Funds (Concluded)**

● **Special Revenue Funds (Concluded)**

- ▶ **LEEF Training**—Accounts for the activities related to law enforcement training.
- ▶ **Cops and Kids Summer Camp**—Accounts for the activities related to grant funds received from the U.S. Department of Justice for educational activities of a summer camp for children in the County.
- ▶ **DEM Federal**—Accounts for the activities related to federal confiscated monies.
- ▶ **Towing and Impound**—Accounts for the activities related to funds received from program generated income for narcotic-related activities from the Justice Assistance Grant.

■ **Fiduciary Funds**

- **Agency Funds**—The Agency Funds account for the assets held by the Sheriff in a trustee capacity as an agent for individuals, private organizations, and/or 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 or when they are considered both measurable and available 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. However, intergovernmental revenue, consisting of a cost reimbursement grant, 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 for the General Fund and for the Nonmajor Governmental Funds. The Radio Communications Fund and the Inmate Welfare Fund expenditures are restricted by statute; therefore, these budgets are not approved by the Board.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Concluded)

Sections 129.03 and 30.49 of the Florida Statutes requires the Sheriff to establish an annual budget reflecting resources available and functions for which funds are to be expended.

- 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.
- 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.
- 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.
- 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.

Prepaid Items

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

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 costing \$1,000 or more and having a useful life in excess of one year 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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Liability for 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.

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.

The Sheriff uses the vesting method 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.

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 an asset and as transfers in on the financial statements of the Board.

Related Organizations - Service Fees and 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 Sheriff. These expenses paid by the Board relating to the Sheriff's operations are:

- Occupancy Costs
- Property and Worker's Compensation Insurance
- Employees' Health and Life Insurance

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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Fund Balance Reporting

The Sheriff follows the provisions of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as required. The purpose of GASB 54 is to improve the consistency and usefulness of fund balance information to the financial statement user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned.

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because (a) they are not expected to be converted to cash or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Sheriff does not have any nonspendable funds.
- **Restricted**—This component of fund balance consists of amounts that are constrained either (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., ordinance or resolution) of the County's governing board. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (e.g., ordinance or resolution) it employed previously to constrain those amounts.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the Sheriff, or by an individual or body to whom the Sheriff has delegated this responsibility. By definition, fund balances are also assigned to the extent that they are needed to finance a subsequent year's budget deficit.
- **Unassigned**—This classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed or assigned.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Continued)

Note 2 - Cash

As of September 30, 2012, the Sheriff had the following in cash:

	<u>Carrying Amount</u>
Deposits in Qualified Public Depositories	\$ 631,171
Total Cash	<u><u>\$ 631,171</u></u>

Credit Risk

The Sheriff's investment practices are governed by Section 218.415(17), Florida Statutes, and included the following investments:

- The Florida PRIME (formerly the Local Government Surplus Trust Fund) Administered by the State Board of Administration.
- Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- 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 Section 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 all held in a qualified public depository and are therefore considered fully insured or collateralized. Bank balances at September 30, 2012, were \$877,418.

Note 3 - Capital Assets

A summary of the changes in capital assets for the year ended September 30, 2012 follows:

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2012</u>
Vehicles, Furniture and Equipment	\$ 2,689,886	\$ 516,749	\$ 0	\$ 3,206,635
(Accumulated Depreciation)	(1,981,607)	(400,974)	0	(2,382,581)
Capital Assets, Net	<u><u>\$ 708,279</u></u>	<u><u>\$ 115,775</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 824,054</u></u>

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Continued)

Note 4 - Long-term Liabilities

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

	Balance			Balance
	October 1, 2011	Additions	Retirements	September 30, 2012
Capital Lease	\$ 173,952	\$ 329,195	\$ (203,316)	\$ 299,831
Liability for Compensated Absences	501,336	343,798	(336,033)	509,101
Other Postemployment Benefits	594,100	73,000	(35,000)	632,100
Total	\$ 1,269,388	\$ 745,993	\$ (574,349)	\$ 1,441,032

Of the \$509,101 liability for accrued compensated absences, management estimates that \$205,451 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 expendable available resources at September 30, 2012. They are reported in the statement of net assets in the government-wide financial statements of the County.

Other postemployment benefits represent the portion of the liability based upon current and retired employees of the Sheriff's office. See Note 10 for a description of other postemployment benefits.

Note 5 - Lease Obligations

Capital Lease

The Sheriff was committed for a capital lease for the purchase of vehicles. The lease is for the purchase of 20 vehicles. Annual payments under the leases are reported as debt service principal and interest expenditures and are included in the approved budget.

The lease agreement provides for 12 quarterly payments of \$29,364, including interest, beginning September 2012 and ending July 2015. The net present value of the capital lease was computed utilizing an interest rate of 4.95%, which was the rate provided in the terms of the lease agreement.

At September 30, 2012, aggregate future minimum lease payments are as follows:

Year Ending	Amount
September 30, 2013	
2013	\$ 117,457
2014	111,194
2015	87,668
Total Future Minimum Lease Payments	316,319
(Less Amount Representing Interest)	(16,488)
Present Value of Net Minimum Lease Payments	\$ 299,831

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Continued)

Note 5 - Lease Obligations (Concluded)

Operating Lease

The Sheriff leases office equipment under various operating leases. The future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 9,367

Note 6 - Interfund Receivables and Payables

Interfund receivables and payables at September 30, 2012, are as follow:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 169,036	\$ 31,761
Special Revenue Funds		
Radio Communications	17,415	547
Inmate Welfare	0	32,687
VOCA	0	7,945
E-911	0	11,286
Emergency Management	0	21,261
Justice Assistance	0	56,377
Victims Special	0	360
JAG	0	27,503
Cops and Kids Summer Camp	0	9,376
Agency Funds		
Suspense	350	0
Confiscated Funds	13,995	0
Inmate Commissary	0	1,693
Totals	<u>\$ 200,796</u>	<u>\$ 200,796</u>

Note 7 - Employees' Retirement and Benefit Plans

The Sheriff and all full-time employees of the Sheriff are eligible to participate in the Florida Retirement System (the System). This System was created by the Florida Legislature 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. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Continued)

Note 7 - Employees' Retirement and Benefit Plans (Concluded)

Employees participating in the System are entitled to a retirement benefit, payable monthly for life. If employed prior to July 1, 2011, the System provides for vesting of benefits after six years of creditable service. The vesting requirement changes to eight years of creditable service for those employed on or after July 1, 2011. For those employed prior to July 1, 2011, normal retirement is after 30 years of service or age 62. If employed on or after July 1, 2011, normal retirement is after 33 years of service or age 65. The monthly benefit received is equal to the product of: (1) average monthly compensation in the highest five years of creditable service; (2) creditable service during the appropriate period; and (3) the appropriate benefit percentage. Vested employees may retire early and receive reduced retirement benefits. Employees participating in the Investment Plan are vested after one year of service with no age requirement. The System also provides death benefits, disability benefits and cost-of-living adjustments. Benefits are established by Florida Statute.

The Florida Legislature has established a uniform contribution rate system for the System covering both the Pension Plan and the Investment Plan. Prior to July 1, 2011, members were not required to make employee contributions. Effective July 1, 2011, all System members (except those in DROP) are required to contribute 3% of their gross compensation on a pre-tax basis. The fiscal year-end June 30, 2012 and 2011, contribution rates by member class are as follows: regular members (5.18% and 4.91%), senior management employees (6.30% and 6.27%), special risk (14.90 and 14.10%) for DROP employees (5.44% and 4.42%), and elected officials (10.23% and 11.14%). The employer contributions paid for the years ended September 30, 2012, 2011, and 2010, were \$417,098, \$682,861, and \$710,977, respectively, which is equal to the required contribution for each year.

Note 8 - 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, 2012, was \$67,807.

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, 2012, was \$45,237.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SHERIFF
(Concluded)

Note 8 - Risk Management (Concluded)

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 workers' compensation claims. The Board makes payments to the fund based upon payroll exposure in the amounts needed to pay prior and current year claims. The net amount paid for the year ended September 30, 2012, was \$76,322.

Note 9 - Contingencies

Various claims and legal actions arising in the normal course of the Sheriff's operations were pending against the Sheriff at September 30, 2012. 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.

Note 10 - Other Postemployment Benefits

Plan Description—The Sheriff participates in an agent single-employer plan under which qualified retired employees are permitted to participate in the health, dental, vision and life insurance benefits program (the Program). A stand-alone financial report is not issued for the Program.

Funding Policy—Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

Annual OPEB Cost and Net OPEB Obligation—The Sheriff's OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years.

The Sheriff's portion of the OPEB liability as of September 30, 2012, totaled \$632,100. This liability will be included in long-term liabilities in the County-wide financial statements. Details and other disclosures can be found in the County-wide annual financial report.

SUPPLEMENTARY INFORMATION

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012
GADSDEN COUNTY SHERIFF**

	<u>VOCA</u>	<u>E-911</u>	<u>Emergency Management</u>	<u>Justice Assistance</u>	<u>Teen Court</u>
Assets					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91
Due from Board of County Commissioners	0	11,286	21,261	56,377	0
Due from Other Governments	7,945	0	0	0	0
Total Assets	<u>7,945</u>	<u>11,286</u>	<u>21,261</u>	<u>56,377</u>	<u>91</u>
Liabilities and Fund Balances					
Liabilities					
Due to Other Funds	7,945	11,286	21,261	56,377	0
Deferred Revenue	0	0	0	0	0
Total Liabilities	<u>7,945</u>	<u>11,286</u>	<u>21,261</u>	<u>56,377</u>	<u>0</u>
Fund Balances					
Committed:					
Teen Court	0	0	0	0	91
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>91</u>
Total Liabilities and Fund Balances	<u>\$ 7,945</u>	<u>\$ 11,286</u>	<u>\$ 21,261</u>	<u>\$ 56,377</u>	<u>\$ 91</u>

Victims Special	SCAAP	JAG	LEEF Training Fund	Cops and Kids Summer Camp	DEM Federal	Towing and Impound	Total Other Governmental Funds
\$ 18,284	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 146	\$ 18,521
0	0	27,503	0	9,376	0	0	125,803
0	0	0	0	0	0	0	7,945
<u>18,284</u>	<u>0</u>	<u>27,503</u>	<u>0</u>	<u>9,376</u>	<u>0</u>	<u>146</u>	<u>152,269</u>
360	0	27,503	0	9,376	0	0	134,108
17,924	0	0	0	0	0	146	18,070
<u>18,284</u>	<u>0</u>	<u>27,503</u>	<u>0</u>	<u>9,376</u>	<u>0</u>	<u>146</u>	<u>152,178</u>
0	0	0	0	0	0	0	91
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>91</u>
\$ 18,284	\$ 0	\$ 27,503	\$ 0	\$ 9,376	\$ 0	\$ 146	\$ 152,269

**COMBINING STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012
GADSDEN COUNTY SHERIFF**

	<u>VOCA</u>	<u>E-911</u>	<u>Emergency Management</u>	<u>Justice Assistance</u>	<u>Teen Court</u>
Revenues					
Intergovernmental Revenue	\$ 36,008	\$ 0	\$ 0	\$ 0	\$ 29,785
Total Revenues	<u>36,008</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,785</u>
Expenditures					
Public Safety:					
Personal Services	36,008	127,989	79,542	55,354	29,785
Operating	0	2,086	8,118	23,458	0
Capital Outlay	0	1,122	17,415		0
(Total Expenditures)	<u>(36,008)</u>	<u>(131,197)</u>	<u>(105,075)</u>	<u>(78,812)</u>	<u>(29,785)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>0</u>	<u>(131,197)</u>	<u>(105,075)</u>	<u>(78,812)</u>	<u>0</u>
Other Financing Sources					
Transfers from Board of County Commissioners	0	131,197	105,075	78,812	0
Total Other Financing Sources	<u>0</u>	<u>131,197</u>	<u>105,075</u>	<u>78,812</u>	<u>0</u>
Net Change in Fund Balances	0	0	0	0	0
Fund Balances, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>91</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 91</u>

Victims Special	SCAAP	JAG	LEEF Training Fund	Cops and Kids Summer Camp	DEM Federal	Towing and Impound	Total Other Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 65,793
0	0	0	0	0	0	0	65,793
0	6,015	27,503	0	1,083	0	0	363,279
0	1,696	0	6,025	8,293	11,138	0	60,814
0	0	0	0	0	33,494	0	52,031
0	(7,711)	(27,503)	(6,025)	(9,376)	(44,632)	0	(476,124)
0	(7,711)	(27,503)	(6,025)	(9,376)	(44,632)	0	(410,331)
0	7,711	27,503	3,325	9,376	44,632	0	407,631
0	7,711	27,503	3,325	9,376	44,632	0	407,631
0	0	0	(2,700)	0	0	0	(2,700)
0	0	0	2,700	0	0	0	2,791
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91

**COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
ALL AGENCY FUNDS
SEPTEMBER 30, 2012
GADSDEN COUNTY SHERIFF**

	<u>Confiscated Funds</u>	<u>Civil Account</u>	<u>Suspense</u>	<u>Inmate Commissary</u>	<u>Totals</u>
Assets					
Cash	\$ 9,446	\$ 7,413	\$ 740	\$ 11,920	\$ 29,519
Due from Other Funds	<u>13,995</u>	<u>0</u>	<u>350</u>	<u>0</u>	<u>14,345</u>
Total Assets	<u>23,441</u>	<u>7,413</u>	<u>1,090</u>	<u>11,920</u>	<u>43,864</u>
Liabilities					
Due to Other Funds	0	1,693	0	0	1,693
Assets Held for Others	<u>23,441</u>	<u>5,720</u>	<u>1,090</u>	<u>11,920</u>	<u>42,171</u>
Total Liabilities	<u>\$ 23,441</u>	<u>\$ 7,413</u>	<u>\$ 1,090</u>	<u>\$ 11,920</u>	<u>\$ 43,864</u>

OTHER REPORTS

**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 Honorable Morris A. Young
Gadsden County Sheriff
Gadsden County, Florida

We have audited the special purpose financial statements of the Sheriff of Gadsden County, Florida, (the Sheriff), as of and for the year ended September 30, 2012, and have issued our report thereon dated March 29, 2013. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might *be significant deficiencies, or material weaknesses* and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

Certified Public Accountants

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

The Honorable Morris A. Young
Gadsden County Sheriff
Gadsden County, Florida

**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
(Concluded)**

2012-1 Interfund Accounting

Condition—The Sheriff's office initially could not provide trial balances that balanced each fund individually. This resulted from incorrect posting of transactions between funds. The accounting system allows entries to be posted across funds without an internal self-balancing mechanism within each individual fund. Ultimately, the Sheriff's office was able to balance the funds on an individual basis, however, additional assistance was needed to correct the interfund accounts.

Criteria—In order to insure accurate financial reporting, individual funds and interfund accounts should be balanced on a monthly basis.

Effect—The lack of proper balancing of individual funds and interfund accounts can lead to material misstatements in the financial statements.

Recommendation—We recommend that the Sheriff's office evaluate the limitations of the accounting system and build safeguards that will prevent individual funds and interfund accounts from becoming out of balance. We recommend that individual funds and all interfund accounts be balanced on a monthly basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff'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 noted certain matters that we reported to management, in a separate letter dated March 29, 2013.

The Sheriff's response to the findings identified in our audit is described in the accompanying Management's Response. We did not audit the Sheriff's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Sheriff, management, the Florida Auditor General, and 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.

Purvis, Gray and Company, LLP

March 29, 2013
Tallahassee, Florida

MANAGEMENT LETTER

The Honorable Morris A. Young
Gadsden County Sheriff
Gadsden County, Florida

We have audited the special purpose financial statements of each major fund and the aggregate remaining fund information of the Gadsden County, Florida, Sheriff (the Sheriff), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 29, 2013, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our independent auditors' report on internal control over financial reporting and compliance and other matters. Disclosures in that report, which is dated March 29, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted under the heading prior year findings and recommendations.

Prior Year Findings and Recommendations

■ **2010-2 Information Technology Controls**

There is currently no formalized business continuity planning and/or documentation. We recommend that a comprehensive disaster recovery plan be developed, continually updated, and tested to the extent possible to ensure continuity of IT operations in the case of any disaster. The information should include detailed documentation of current IT infrastructure, including diagrams and full system-wide configurations and settings. Other minimum information to be included is emergency contact information, backup procedures and storage locations, vendor information for replacement equipment and software products, alternative physical locations or "Hot Sites," and a priority of the systems to be restored.

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

The Honorable Morris A. Young
Gadsden County Sheriff
Gadsden County, Florida

MANAGEMENT LETTER
(Concluded)

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

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

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

Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the 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 Sheriff has no component units.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

March 29, 2013
Gainesville, Florida



March 29, 2013

Mr. Ryan M Tucker, CPA
Purvis, Gray & Company, LLP
Post Office Box 141270
Gainesville, Florida 32614

Dear Mr. Tucker:

After reviewing the management letter comments regarding the audit performed by Purvis, Gray & Company, LLP for the fiscal year end September 30, 2012, we would like to respond as follows:

Internal Control over Financial Reporting and Recommendations

▪ **Interfund Accounting**

Condition-The Sheriff's office initially could not provide trial balances that balanced each fund individually. This resulted from incorrect posting of transactions between funds. The accounting system allows entries to be posted across funds without an internal self-balancing mechanism within each individual fund. Ultimately, the Sheriff's office was able to balance the funds on an individual basis, however, additional assistance was needed to correct the interfund accounts.

Criteria-In order to insure accurate financial reporting, individual funds and interfund accounts should be balanced on a monthly basis.

Effect-The lack of proper balancing of individual funds and interfund accounts can lead to material misstatements in the financial statements.

Recommendation-We recommend that the Sheriff's office evaluate the limitations of the accounting system and build safeguards that will prevent individual funds and interfund accounts from becoming out of balance. We recommend that individual funds and all interfund accounts be balanced on a monthly basis.

Management's Response

The Sheriff's Office did provide a balanced trial balance for all funds. The Sheriff's Office currently uses Microsoft Dynamics Great Plains accounting software which doesn't have the Interfund Accounting feature on its earlier versions. We are upgrading to the 2013 version of the software which will include the Interfund Accounting feature this will eliminate the issue of the interfund accounts being out of balance.

Additionally, budget shortages, inadequate staffing and increased workloads have presented issues in the Finance Office and are currently being addressed in fiscal year 2013.

Prior Year Findings and Recommendations

■ Information Technology Controls

There is currently no formalized business continuity planning and/or documentation.

We recommend that a comprehensive disaster recovery plan be developed, continually updated, and tested to the extent possible to ensure continuity of IT operations in the case of any disaster. The information should include detailed documentation of current IT infrastructure, including diagrams and full system wide configurations and settings. Other minimum information to be included is emergency contact information, back up procedures and storage locations, vendor information for replacement equipment and software products, alternative physical locations or "Hot Sites", and a priority of the systems to be restored.

Management's Response

The Sheriff's Office began the development and implementation of its comprehensive disaster recovery plan for Information Technology operations in fiscal year 2012, however due to changes in IT staffing, the implementation was delayed and will be completed in fiscal year 2013.

Sincerely,


Morris A. Young
Gadsden County Sheriff

MAY: kp

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY TAX COLLECTOR
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY TAX COLLECTOR
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Honorable W. Dale Summerford
Gadsden County Tax Collector
Gadsden County, Florida

We have audited the accompanying special purpose financial statements of the General Fund and the aggregate remaining fund information of the Gadsden County, Florida, Tax Collector (the Tax Collector), as of and for the year ended September 30, 2012, as listed in the table of contents. These special purpose financial statements are the responsibility of the Tax Collector'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 to the special purpose financial statements, the special purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, which practices differ from accounting principles generally accepted in the United States of America. The differences include the permitted omission of entity-wide, full-accrual, financial statements and the management's discussion and analysis. In addition, the financial statements referred to above are intended to present the financial position and changes in financial position of only that portion of Gadsden County, Florida, that is attributable to the transactions of the Tax Collector. They do not purport to, and do not, present fairly the financial position of Gadsden County, Florida, as a whole as of September 30, 2012, and the changes in financial position, 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 the aggregate remaining fund information of the Tax Collector as of September 30, 2012, and the changes in financial position of its General Fund and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 1.

Certified Public Accountants

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The Honorable W. Dale Summerford
Gadsden County Tax Collector
Gadsden County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2013, on our consideration of the Tax Collector'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.

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

Purvis, Gray and Company, LLP

March 26, 2013
Gainesville, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2012
GADSDEN COUNTY TAX COLLECTOR**

Assets

Cash	\$ 58,558
Due from Others	1,546
Due from Other Funds	5,189
Total Assets	<u>65,293</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	200
Due to Other Funds	1,098
Due to Board of County Commissioners	63,853
Due to Other Governments	142
Total Liabilities	<u>65,293</u>

Fund Balance	<u>0</u>
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Total Liabilities and Fund Equity	<u>\$ 65,293</u>
--	------------------

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY TAX COLLECTOR**

Revenues

Charges for Services	\$ 809,828
Total Revenues	<u>809,828</u>

Expenditures

Current:	
General Government:	
Personal Services	550,617
Operating	192,680
Capital Outlay	2,678
(Total Expenditures)	<u>(745,975)</u>

Excess of Revenues Over Expenditures	<u>63,853</u>
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Other Financing Sources (Uses)

Transfers (out)	(63,853)
Total Other Financing Sources (Uses)	<u>(63,853)</u>

Net Change in Fund Balance	0
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Fund Balance, Beginning of Year	<u>0</u>
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Fund Balance, End of Year	<u><u>\$ 0</u></u>
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See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY TAX COLLECTOR**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Charges for Services	\$ 866,125	\$ 866,125	\$ 809,828	\$ (56,297)
Miscellaneous	2,300	2,300	0	(2,300)
Total Revenues	<u>868,425</u>	<u>868,425</u>	<u>809,828</u>	<u>(58,597)</u>
Expenditures				
Current:				
General Government:				
Personal Services	602,194	602,194	550,617	51,577
Operating	186,430	194,970	192,680	2,290
Capital Outlay	2,679	2,679	2,678	1
(Total Expenditures)	<u>(791,303)</u>	<u>(799,843)</u>	<u>(745,975)</u>	<u>53,868</u>
Excess of Revenues Over				
Expenditures	<u>77,122</u>	<u>68,582</u>	<u>63,853</u>	<u>(4,729)</u>
Other Financing Sources (Uses)				
Transfers (out)	<u>(77,122)</u>	<u>(68,582)</u>	<u>(63,853)</u>	<u>4,729</u>
Total Other Financing Sources (Uses)	<u>(77,122)</u>	<u>(68,582)</u>	<u>(63,853)</u>	<u>4,729</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
SEPTEMBER 30, 2012
GADSDEN COUNTY TAX COLLECTOR

Assets

Cash	\$ 260,750
Due from Others	7,108
Due from Other Funds	<u>1,098</u>

Total Assets

268,956

Liabilities

Accounts Payable	525
Due to Other Funds	5,189
Due to Other Governments	55,932
Due to Individuals	87
Unearned Fees	1,686
Installment Tax Deposits	<u>205,537</u>

Total Liabilities

\$ 268,956

See accompanying notes to financial statements.

**NOTES TO SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY TAX COLLECTOR**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of significant accounting principles and policies used in the preparation of the accompanying special purpose financial statements.

Reporting Entity

Gadsden County, Florida (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and 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 Gadsden County, Florida, Tax Collector (the Tax Collector) is an elected official of the County pursuant to the Constitution of the State of Florida, Article VIII, Section 1(d). The Tax Collector is a part of the primary government of the County. Although the Florida Department of Revenue approves the Tax Collector's operating budget, the Tax Collector is responsible for the administration and operation of the Tax Collector's office, and the Tax Collector's special purpose financial statements do not include the financial statements of the Board or the other Constitutional Officers of the County. There were no component units related to the Tax Collector.

The Tax Collector operates as a Fee Officer. Upon approval of the operating budget, revenues are collected from fees and from commissions earned for the collection of taxes for the County taxing authorities pursuant to Section 192.091(2), Florida Statutes. Any excess revenues received over expenditures made are remitted at year-end to the taxing districts.

For financial reporting purposes, the Tax Collector is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all funds and accounts of the Tax Collector's office, but are not a complete presentation of the County as a whole. The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(3), *Rules of the Auditor General—Local Governmental Entity Audits*.

Section 10.556(4), *Rules of the Auditor General—Local Governmental Entity Audits* requires the Tax Collector to only present fund financial statements. Accordingly, due to the omission of entity-wide, full accrual financial statements and related disclosures, including management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Tax Collector as of September 30, 2012, and the changes in its financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. generally accepted accounting principles (GAAP).

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY TAX COLLECTOR
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

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

The Tax Collector reports the following fund types:

■ **Governmental Fund Type**

● **Major Fund**

- ▶ **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.

■ **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 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 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.

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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY TAX COLLECTOR
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

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

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 nonoperating) 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 budget amendments.

Capital Assets

Capital assets purchased in the Governmental Fund type are recorded as expenditures (capital outlay) at the time of purchase. Capital assets and software acquired under capital leases are recorded, at cost, as operating and 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 County-wide financial statements.

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.

Accrued 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 it 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 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 County-wide financial statements.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY TAX COLLECTOR
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Excess Revenues

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.

Related Organizations - Service Fees and Common Expenses

The Tax Collector's charges for services included approximately \$480,627 received from the Board 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 Workers' Compensation Insurance
- Employees' Health and Life Insurance

Note 2 - Cash

As of September 30, 2012, the Tax Collector had the following in cash:

	<u>Carrying Amount</u>
Cash on Hand	\$ 1,525
Deposits in Qualified Public Depositories	<u>317,783</u>
Total Cash	<u>\$ 319,308</u>

Credit Risk

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

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY TAX COLLECTOR
(Continued)

Note 2 - Cash (Concluded)

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 Section 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 balances at September 30, 2012, were \$382,248.

Tax Collector funds are maintained in an interest-bearing demand deposit account, which is collateralized pursuant to Section 280.04, Florida Statutes. Funds in excess of a compensating balance requirement of \$228,000, earn a variable rate of interest equal to the bank's federal funds rate less .5%, determined on a monthly basis.

Note 3 - Employee Benefits

Defined Benefit Pension Plan

The Tax Collector and all full-time employees are eligible to participate in the Florida Retirement System (the System). This System was created by the Florida Legislature 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. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida, 32315-9000, or by calling (850) 488-5706.

The Tax Collector and all full-time employees are eligible to participate in the System. Employees participating in the Pension Plan are entitled to a retirement benefit, payable monthly for life. If employed prior to July 1, 2011, the System provides for vesting of benefits after six years of creditable service. The vesting requirement changes to eight years of creditable service for those employed on or after July 1, 2011. For those employed prior to July 1, 2011, normal retirement is after 30 years of service or age 62. If employed on or after July 1, 2011, normal retirement is after 33 years of service or age 65. The monthly benefit received (1) average monthly compensation in the highest five years of creditable service; (2) creditable service during the appropriate period; and (3) the appropriate benefit percentage. Vested employees may retire early and receive reduced retirement benefits. Employees participating in the Investment Plan are vested after one year of service with no age requirement. The System also provides death benefits, disability benefits and cost-of-living adjustments. Benefits are established by Florida Statute.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY TAX COLLECTOR
(Continued)

Note 3 - Employee Benefits (Concluded)

Defined Benefit Pension Plan (Concluded)

The Florida Legislature has established a uniform contribution rate system for the System covering both the Pension Plan and the Investment Plan. Prior to July 1, 2011, members were not required to make employee contributions. Effective July 1, 2011, all System members (except those in DROP) are required to contribute 3% of their gross compensation on a pre-tax basis. The fiscal year-end June 30, 2012 and 2011, contribution rates by member class are as follows: regular members (5.18% and 4.91%), senior management employees (6.30% and 6.27%), DROP employees (5.44% and 4.42%), and elected officials (10.23% and 11.14%). The Tax Collector's contributions paid for the years ended September 30, 2012, 2011, and 2010, were \$31,569, \$50,647, and \$53,668, respectively, which is equal to the required contribution for each year.

Note 4 - Risk Management

The Tax Collector 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 Tax Collector participates in the risk management program through the Board, 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 | ■ Workers' Compensation |
| ■ Public Employees' Bond | ■ 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 for 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 Tax Collector's long-term liabilities is as follows:

	Balance				Balance
	<u>October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>		<u>September 30, 2012</u>
Liability for Compensated					
Absences	\$ 42,542	\$ 27,072	\$ (13,654)	\$	55,960
Other Postemployment					
Benefits	17,400	3,900	(2,200)		19,100
Total	<u>\$ 59,942</u>	<u>\$ 30,972</u>	<u>\$ (15,854)</u>	<u>\$</u>	<u>75,060</u>

Of the \$55,960 liability for accrued compensated absences, management estimates that \$14,407 will be due and payable within one year. The liability is not reported in the financial statements of the Tax Collector since it is not payable from available resources at September 30, 2012. As discussed in Note 1, the liability is reported on the statement of net assets in the County-wide financial statements.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY TAX COLLECTOR
(Concluded)

Note 5 - Long-term Liabilities (Concluded)

Other postemployment benefits represent the portion of the liability based upon current and retired employees of the Tax Collector. See Note 7 for a description of the other postemployment benefits.

Note 6 - Interfund Receivables and Payables

The General Fund due to the Agency Fund of \$1,098 consists of an amount to cover bank service charges in excess of interest earned. The Agency Fund due to the General Fund of \$5,189 consists of fees on transactions collected by the Agency Fund. These payments were made shortly after the fiscal year-end.

Note 7 - Other Postemployment Benefits

Plan Description—The Tax Collector participates and administers an agent single-employer plan under which qualified retired employees are permitted to participate in health, dental, vision and life insurance benefits program (the Program). A stand-alone financial report is not issued for the Program.

Funding Policy—Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

Annual OPEB Cost and Net OPEB Obligation—The Tax Collector's OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by GASB Statement No. 45—*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years.

The Tax Collector's portion of the other postemployment benefits liability at September 30, 2012, totaled \$19,100. This liability will be included in long-term liabilities in the County-wide financial statements. Details and other required disclosures can be found in the County-wide annual financial report.

Note 8 - Operating Leases

The Tax Collector is leasing a postage machine under an operating lease that concludes during the fiscal year ending September 30, 2016. The Tax Collector is leasing a paper folding machine under an operating lease that concludes during the fiscal year ending September 30, 2015. The Tax Collector is also leasing a copier under an operating lease that concluded during the fiscal year ended September 30, 2012. During the fiscal year ended September 30, 2012, the lease payments on all operating leases amounted to \$4,485. Total subsequent lease payments payable during 2013, 2014, 2015, and 2016 are \$3,395, \$3,395, \$3,395, and \$1,288, respectively.

OTHER REPORTS

**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 Honorable W. Dale Summerford
Gadsden County Tax Collector
Gadsden County, Florida

We have audited the special purpose financial statements of the Gadsden County, Florida, Tax Collector (the Tax Collector), as of and for the year ended September 30, 2012, and have issued our report thereon dated March 26, 2013, which was modified to refer to a basis of accounting required for state filing requirements, and for other reasons. 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

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Tax Collector's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector's internal control over financial reporting.

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

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

Certified Public Accountants

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

The Honorable W. Dale Summerford
Gadsden County Tax Collector
Gadsden County, Florida

**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*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tax Collector'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*.

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

Purvis, Gray and Company, LLP

March 26, 2013
Gainesville, Florida

MANAGEMENT LETTER

The Honorable W. Dale Summerford
Gadsden County Tax Collector
Gadsden County, Florida

We have audited the special purpose financial statements of the Gadsden County, Florida, Tax Collector (the Tax Collector), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 26, 2013, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our independent auditors' report on internal control over financial reporting and compliance and other matters. Disclosures in that report, which is dated March 26, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Tax Collector complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the entity's financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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

The Honorable W. Dale Summerford
Gadsden County Tax Collector
Gadsden County, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based upon professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special purpose financial statements. The Tax Collector was established by the Constitution of the State of Florida, Article VII, Section 1(d). There were no component units related to the Tax Collector.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

March 26, 2013
Gainesville, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY PROPERTY APPRAISER
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY PROPERTY APPRAISER
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Honorable Clay VanLandingham
Gadsden County Property Appraiser
Gadsden County, Florida

We have audited the accompanying special purpose financial statements of the General Fund of the Gadsden County, Florida, Property Appraiser (the Property Appraiser), as of and for the year ended September 30, 2012, as listed in the table of contents. These special purpose financial statements are the responsibility of the Property Appraiser'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 to the special purpose financial statements, the special purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices specified by, the *Rules of the Auditor General*, State of Florida, which practices differ from accounting principles generally accepted in the United States of America. The differences include the permitted omission of entity-wide, full-accrual, financial statements and the management's discussion and analysis. In addition, the financial statements referred to above are intended to present the financial position and changes in financial position of only that portion of Gadsden County, Florida, that is attributable to the transactions of the Property Appraiser. They do not purport to, and do not, present fairly the financial position of Gadsden County, Florida, as a whole, as of September 30, 2012, and the changes in its financial position 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 as of September 30, 2012, the changes in financial position of its General Fund and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 1.

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The Honorable Clay VanLandingham
Gadsden County Property Appraiser
Gadsden County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2013, on our consideration of the Property Appraiser'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.

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

Purvis, Gray and Company, LLP

March 26, 2013
Gainesville, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2012
GADSDEN COUNTY PROPERTY APPRAISER**

Assets

Cash	\$ 18,211
Due from Individual	344
Total Assets	<u>18,555</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	2,302
Accrued Liabilities	16,142
Due to Other Governments	111
Total Liabilities	<u>18,555</u>

Fund Balance	<u>0</u>
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Total Liabilities and Fund Balance	<u>\$ 18,555</u>
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See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY PROPERTY APPRAISER**

Revenues

Charges for Services	\$ 1,497
Miscellaneous Revenue	4,043
Total Revenues	<u>5,540</u>

Expenditures

Current:	
General Government:	
Personal Services	535,440
Operating	159,237
Capital Outlay	13,785
(Total Expenditures)	<u>(708,462)</u>

(Deficiency) of Revenues

(Under) Expenditures	<u>(702,922)</u>
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Other Financing Sources (Uses)

Transfers in	765,942
Transfers(out)	(63,020)
Total Other Financing Sources (Uses)	<u>702,922</u>

Net Change in Fund Balance	0
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Fund Balance, Beginning of Year	<u>0</u>
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Fund Balance, End of Year	<u><u>\$ 0</u></u>
----------------------------------	--------------------

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY PROPERTY APPRAISER**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Charges for Services	\$ 0	\$ 0	\$ 1,497	\$ 1,497
Miscellaneous Revenue	0	0	4,043	4,043
Total Revenues	<u>0</u>	<u>0</u>	<u>5,540</u>	<u>5,540</u>
Expenditures				
Current:				
General Government:				
Personal Services	530,805	582,556	535,440	47,116
Operating	156,117	161,209	159,237	1,972
Capital Outlay	0	13,785	13,785	0
Nonoperating	10,000	10,000	0	10,000
(Total Expenditures)	<u>(696,922)</u>	<u>(767,550)</u>	<u>(708,462)</u>	<u>59,088</u>
(Deficiency) of Revenues				
(Under) Expenditures	<u>(696,922)</u>	<u>(767,550)</u>	<u>(702,922)</u>	<u>64,628</u>
Other Financing Sources (Uses)				
Transfers in	696,922	767,550	765,942	(1,608)
Transfers (out)	0	0	(63,020)	(63,020)
Total Other Financing Sources (Uses)	<u>696,922</u>	<u>767,550</u>	<u>702,922</u>	<u>(64,628)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

**NOTES TO SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY PROPERTY APPRAISER**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of significant accounting principles and policies used in the preparation of the accompanying special purpose financial statements.

Reporting Entity

Gadsden County, Florida, (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and 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 Gadsden County, Florida Property Appraiser (the Property Appraiser) is an elected official of the County pursuant to the Constitution of the State of Florida, Article VIII, Section 1(d). The Property Appraiser is a part of the primary government of the County. The Board and the Florida Department of Revenue approve the Property Appraiser's total operating budget, and effective June 2011, the Clerk of Court was responsible for accounting for the Property Appraiser's transactions. The Property Appraiser is responsible for the administration and operation of the Property Appraiser's office, and the Property Appraiser's special purpose financial statements do not include the financial statements of the Board or the other Constitutional Officers of the County.

The operations of the Property Appraiser are funded by the Board, and the Northwest Florida Water Management District. The receipts from the Board are recorded as other financing sources on the Property Appraiser's special purpose financial statements.

For financial reporting purposes, the Property Appraiser is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all funds and accounts of the Property Appraiser's office, but are not a complete presentation of the County as a whole. The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(3), *Rules of the Auditor General—Local Governmental Entity Audits*.

Section 10.556(4), *Rules of the Auditor General—Local Governmental Entity Audits*, requires the Property Appraiser to only present fund financial statements. Accordingly, due to the omission of entity-wide, full accrual financial statements and related disclosures, including management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Property Appraiser as of September 30, 2012, and the changes in its financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. generally accepted accounting principles (GAAP).

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY PROPERTY APPRAISER
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

The financial transactions of the Property Appraiser are recorded in one individual fund. This fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The Property Appraiser reports the following fund type:

■ **Governmental Fund Type**

● **Major Fund**

- ▶ **General Fund**—The General Fund is the general operating fund of the Property Appraiser. It is used to account for all financial resources, except for those required to be accounted for in another fund.

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 become both measurable and available to finance expenditures of the current period. The Property Appraiser considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred, except for accumulated sick and vacation pay, which is 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.

Budgets and Budgetary Accounting

Section 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 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 appropriations categories (personal services, operating expenses, capital outlay, debt service, and nonoperating) 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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY PROPERTY APPRAISER
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

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 County-wide financial statements.

Accrued 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 for agencies operating under the Florida Retirement System. 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 20 years or more continuous employment can receive payment based upon the employee's current wage rate for 50% of accumulated sick leave above 300 hours. For fifteen to nineteen years, the percentage is 45%, twelve to fourteen years the percentage is 40%, nine to eleven years is 30%, six to eight years is 20%, and three to five years is 10%.

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 County-wide financial statements.

Transfers In and Out

The Board funds primarily all 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.

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)

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY PROPERTY APPRAISER
(Continued)

Note 2 - Cash

As of September 30, 2012, the carrying amount of the Property Appraiser's deposits was \$18,211.

Credit Risk

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

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

The Property Appraiser 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 Section 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 Property Appraiser's deposits are therefore considered fully insured or collateralized.

Note 3 - Employee Benefits

Defined Benefit Pension Plan

The Property Appraiser and all full-time employees are eligible to participate in the Florida Retirement System (the System). This System was created by the Florida Legislature 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. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida, 32315-9000, or by calling (850) 488-5706.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY PROPERTY APPRAISER
(Continued)

Note 3 - Employee Benefits (Concluded)

Defined Benefit Pension Plan (Concluded)

The Property Appraiser and all full-time employees are eligible to participate in the System. Employees participating in the Pension Plan are entitled to a retirement benefit, payable monthly for life. If employed prior to July 1, 2011, the System provides for vesting of benefits after six years of creditable service. The vesting requirement changes to eight years of creditable service for those employed on or after July 1, 2011. For those employed prior to July 1, 2011, normal retirement is after 30 years of service or age 62. If employed on or after July 1, 2011, normal retirement is after 33 years of service or age 65. The monthly benefit received (1) average monthly compensation in the highest five years of creditable service; (2) creditable service during the appropriate period; and (3) the appropriate benefit percentage. Vested employees may retire early and receive reduced retirement benefits. Employees participating in the Investment Plan are vested after one year of service with no age requirement. The System also provides death benefits, disability benefits and cost-of-living adjustments. Benefits are established by Florida Statute.

The Florida Legislature has established a uniform contribution rate system for the System covering both the Pension Plan and the Investment Plan. Prior to July 1, 2011, members were not required to make employee contributions. Effective July 1, 2011, all System members (except those in DROP) are required to contribute 3% of their gross compensation on a pre-tax basis. The fiscal year-end June 30, 2012 and 2011, contribution rates by member class are as follows: regular members (5.18% and 4.91%), DROP employees (5.44% and 4.42%), and elected officials (10.23% and 11.14%). The Property Appraiser's contributions paid for the years ended September 30, 2012, 2011, and 2010, were \$26,264, \$50,325, and \$51,603, respectively, which is equal to the required contribution for each year.

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, 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 for 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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY PROPERTY APPRAISER
(Continued)

Note 5 - Long-term Liabilities

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

	<u>Balance</u> <u>October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30, 2012</u>
Liability for Compensated				
Absences	\$ 51,273	\$ 22,287	\$ 15,874	\$ 57,686
Other Postemployment				
Benefits	<u>25,700</u>	<u>5,200</u>	<u>3,400</u>	<u>27,500</u>
Total	<u><u>\$ 76,973</u></u>	<u><u>\$ 27,487</u></u>	<u><u>\$ 19,274</u></u>	<u><u>\$ 85,186</u></u>

Of the \$57,686 liability for accrued compensated absences, management estimates that \$16,298 will be due and payable within one year. The liability is not reported in the financial statements of the Property Appraiser since they are not payable from available resources at September 30, 2012. As discussed in Note 1, the liability is reported on the statement of net assets in the County-wide financial statements.

Other postemployment benefits represent the portion of the liability based upon current and retired employees of the Property Appraiser. See Note 6 for a description of other postemployment benefits.

Note 6 - Other Postemployment Benefits

Plan Description—The Property Appraiser participates and administers an agent single-employer plan under which qualified retired employees are permitted to participate in health, dental, vision and life insurance benefits program (the Program). A stand-alone financial report is not issued for the Program.

Funding Policy—Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

Annual OPEB Cost and Net OPEB Obligation—The Property Appraiser's OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years.

The Property Appraiser's portion of the other postemployment benefits liability at September 30, 2012, totaled \$27,500. This liability will be included in long-term liabilities in the County-wide financial statements. Details and other required disclosures can be found in the County-wide annual financial report.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY PROPERTY APPRAISER
(Concluded)

Note 7 - Operating Lease

The Property Appraiser is leasing a vehicle under an operating lease that concludes during the fiscal year ending September 30, 2014. During the fiscal year ended September 30, 2012, the lease payments on this lease agreement amounted to \$5,639. Total future lease payments payable are as follows:

<u>Year Ending September 30</u>	<u>Payments</u>
2013	\$ 5,639
2014	<u>1,880</u>
Total	<u>\$ 7,519</u>

OTHER REPORTS

**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 Honorable Clay VanLandingham
Gadsden County Property Appraiser
Gadsden County, Florida

We have audited the special purpose financial statements of the Gadsden County, Florida, Property Appraiser (the Property Appraiser), as of and for the year ended September 30, 2012, and have issued our report thereon dated March 26, 2013, which was modified to refer to a basis of accounting required for state filing requirements, and for other reasons. 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

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Property Appraiser's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting.

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

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

Certified Public Accountants

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The Honorable Clay VanLandingham
Gadsden County Property Appraiser
Gadsden County, Florida

**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*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property Appraiser'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*.

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

Purvis, Gray and Company, LLP

March 26, 2013
Gainesville, Florida

MANAGEMENT LETTER

The Honorable Clay VanLandingham
Gadsden County Property Appraiser
Gadsden County, Florida

We have audited the special purpose financial statements of the Gadsden County, Florida, Property Appraiser (the Property Appraiser), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 26 2013, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and other reasons.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our independent auditors' report on internal control over financial reporting and compliance and other matters. Disclosures in that report, if any, which is dated March 26, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.
- 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Property Appraiser complied with Section 218.415, Florida Statutes.
- 10.554(1)(i)3., *Rules of the Auditor General*, Section 10.554(1)(i)3., requires that we address in the management letter any recommendations to improve the entity's financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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The Honorable Clay VanLandingham
Gadsden County Property Appraiser
Gadsden County, Florida

MANAGEMENT LETTER
(Concluded)

- 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special purpose financial statements. The Property Appraiser was established by the Constitution of the State of Florida, Article VII, Section 1(d). There were no component units related to the Property Appraiser.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

March 26, 2013
Gainesville, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY SUPERVISOR OF ELECTIONS
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

**SPECIAL PURPOSE
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**GADSDEN COUNTY SUPERVISOR OF ELECTIONS
GADSDEN COUNTY, FLORIDA**

SEPTEMBER 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Honorable Shirley Green Knight
Gadsden County Supervisor of Elections
Gadsden County, Florida

We have audited the accompanying special purpose financial statements of the General Fund of the Gadsden County, Florida, Supervisor of Elections (the Supervisor of Elections), as of and for the year ended September 30, 2012, as listed in the table of contents. These special purpose financial statements are the responsibility of the Supervisor of Elections' 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 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 special purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the special purpose financial statements, the special purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of accounting practices prescribed by, the *Rules of the Auditor General*, State of Florida, which practices differ from accounting principles generally accepted in the United States of America. The differences include the permitted omission of entity-wide, full-accrual, financial statements and the management's discussion and analysis. In addition, the financial statements referred to above are intended to present the financial position and changes in financial position of only that portion of Gadsden County, Florida, that is attributable to the transactions of the Supervisor of Elections. They do not purport to, and do not, present fairly the financial position of Gadsden County, Florida, as a whole as of September 30, 2012, and the changes in financial position 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 at September 30, 2012, the changes in financial position of its General Fund, and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting described in Note 1.

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The Honorable Shirley Green Knight
Gadsden County Supervisor of Elections
Gadsden County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2013, on our consideration of the Supervisor of Elections' 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.

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

Purvis, Gray and Company, LLP

March 26, 2013
Gainesville, Florida

**SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2012
GADSDEN COUNTY SUPERVISOR OF ELECTIONS**

Assets	
Cash	\$ 62,127
Prepaid Expense	4,354
Total Assets	<u> 66,481</u>
 Liabilities and Fund Balance	
Liabilities	
Accounts Payable	29,718
Accrued Wages and Benefits	10,427
Deferred Revenue	26,336
Total Liabilities	<u> 66,481</u>
 Fund Balance	 <u> 0</u>
 Total Liabilities and Fund Balance	 <u><u> 66,481</u></u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY SUPERVISOR OF ELECTIONS**

Revenues	
Intergovernmental	\$ 12,112
Miscellaneous Revenue	49
Total Revenues	<u>12,161</u>
Expenditures	
General Government:	
Personal Services	330,047
Operating Expenditures	205,156
Capital Outlay	21,249
(Total Expenditures)	<u>(556,452)</u>
(Deficiency) of Expenditures (Under) Revenues	<u>(544,291)</u>
Other Financing Sources (Uses)	
Transfers in	<u>544,291</u>
Net Change in Fund Balance	0
Fund Balance, Beginning of Year	<u>0</u>
Fund Balance, End of Year	<u><u>\$ 0</u></u>

See accompanying notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
GADSDEN COUNTY SUPERVISOR OF ELECTIONS**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 0	\$ 12,949	\$ 12,112	(837)
Miscellaneous Revenue	0	0	49	49
Total Revenues	<u>0</u>	<u>12,949</u>	<u>12,161</u>	<u>(788)</u>
Expenditures				
General Government:				
Personal Services	338,535	338,535	330,047	8,488
Operating Expenditures	205,756	218,705	205,156	13,549
Capital Outlay	0	0	21,249	(21,249)
(Total Expenditures)	<u>(544,291)</u>	<u>(557,240)</u>	<u>(556,452)</u>	<u>788</u>
(Deficiency) of Expenditures (Under)				
Revenues	<u>(544,291)</u>	<u>(544,291)</u>	<u>(544,291)</u>	<u>0</u>
Other Financing Sources (Uses)				
Transfers in	<u>544,291</u>	<u>544,291</u>	<u>544,291</u>	<u>0</u>
Net Change in Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See accompanying notes to financial statements.

**NOTES TO SPECIAL PURPOSE
FINANCIAL STATEMENTS**

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SUPERVISOR OF ELECTIONS**

Note 1 - Summary of Significant Accounting Policies

The following is a summary of significant accounting principles and policies used in the preparation of the accompanying special purpose financial statements.

Reporting Entity

Gadsden County, Florida, (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board) and 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 Gadsden County, Florida, Supervisor of Elections (the Supervisor of Elections) is an elected official of the County, pursuant to the *Constitution of the State of Florida*, Article VIII, Section 1(d) and is a part of the primary government of the County. The Board approves the Supervisor of Elections' total operating budget and the Clerk of Court is responsible for accounting for the Supervisor of Elections' transactions. The Supervisor of Elections is responsible for the administration and operation of the Supervisor of Elections' office, and the Supervisor of Elections' special purpose financial statements do not include the financial statements of the Board or the other Constitutional Officers of the County. There were no component units related to the Supervisor of Elections.

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.

For financial reporting purposes, the Supervisor of Elections is deemed to be a part of the primary government of the County and, therefore, is included as such in the County's annual financial report.

Basis of Presentation

The accompanying financial statements include all funds and accounts of the Supervisor of Elections' office, but are not a complete presentation of the County as a whole. The accompanying financial statements were prepared for the purpose of complying with Section 218.39, Florida Statutes, and Section 10.557(3), *Rules of the Auditor General—Local Governmental Entity Audits*.

Section 10.556(4), Florida Statutes, *Rules of the Auditor General—Local Governmental Entity Audits* requires, the Supervisor of Elections to only present fund financial statements. Accordingly, due to the omission of entity-wide, full accrual financial statements and related disclosures, including management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Supervisor of Elections as of September 30, 2012, and the changes in its financial position for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statement—and Management's Discussion and Analysis—for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. generally accepted accounting principles (GAAP).

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SUPERVISOR OF ELECTIONS
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Concluded)

The financial transactions of the Supervisor of Elections are recorded in one individual fund. This fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The Supervisor of Elections reports the following fund type:

■ **Governmental Fund**

● **Major Fund**

- ▶ **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 for those required to be accounted for in another fund.

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.

The Supervisor of Elections 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 revenue is considered susceptible to accrual intergovernmental revenue.

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 Requirement

General governmental 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 prepared by the Supervisor of Elections and adopted by the Board for the General Fund.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SUPERVISOR OF ELECTIONS
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Budgetary Requirement (Concluded)

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

Accrued 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' accrued compensated absences are reported in the statement of net assets in the Board's financial statements.

Transfers In and Out

The Board funds primarily the entire operating budget of the Supervisor of Elections. The payments by the Board to fund the operations of the Supervisor of Elections are recorded as transfers in on the financial statements of the Supervisor of Elections. In accordance with Florida Statutes, the Supervisor of Elections distributes all General Fund revenues in excess of expenditures to the Board within 31 days following the end of the fiscal year.

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 Supervisor of Elections. These expenses paid by the Board relating to the Supervisor of Elections operations are:

- Occupancy Costs
- Janitorial Service
- Utilities (Except Telephone)
- Property Insurance

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SUPERVISOR OF ELECTIONS
(Continued)

Note 2 - Cash

As of September 30, 2012, the carrying amount of the Supervisor of Elections' deposits was \$62,127.

Credit Risk

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

- The Florida PRIME (formerly the Local Government Surplus Trust Fund), administered by the State Board of Administration.
- Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories.
- 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 Section 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.

Note 3 - Employee Benefits

Defined Benefit Pension Plan

The Supervisor of Elections and all full-time employees are eligible to participate in the Florida Retirement System (the System). This System was created by the Florida Legislature and is administered by the State of Florida, Department of Management Services, 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, P.O. Box 9000, Tallahassee, Florida, 32315-9000, or by calling (850) 488-5706.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SUPERVISOR OF ELECTIONS
(Continued)

Note 3 - Employee Benefits (Concluded)

Defined Benefit Pension Plan (Concluded)

The Supervisor of Elections and all full-time employees are eligible to participate in the System. Employees participating in the Pension Plan are entitled to a retirement benefit, payable monthly for life. If employed prior to July 1, 2011, the System provides for vesting of benefits after six years of creditable service. The vesting requirement changes to eight years of creditable service for those employed on or after July 1, 2011. For those employed prior to July 1, 2011, normal retirement is after 30 years of service or age 62. If employed on or after July 1, 2011, normal retirement is after 33 years of service or age 65. The monthly benefit received (1) average monthly compensation in the highest five years of creditable service; (2) creditable service during the appropriate period; and (3) the appropriate benefit percentage. Vested employees may retire early and receive reduced retirement benefits. Employees participating in the Investment Plan are vested after one year of service with no age requirement. The System also provides death benefits, disability benefits and cost-of-living adjustments. Benefits are established by Florida Statute.

The Florida Legislature has established a uniform contribution rate system for the System covering both the Pension Plan and the Investment Plan. Prior to July 1, 2011, members were not required to make employee contributions. Effective July 1, 2011, all System members (except those in DROP) are required to contribute 3% of their gross compensation on a pre-tax basis. The fiscal year-end June 30, 2012 and 2011, contribution rates by member class are as follows: regular members (5.18% and 4.91%), DROP employees (5.44% and 4.42%), and elected officials (10.23% and 11.14%). The Supervisor of Elections' contributions to the System for the years ended September 30, 2012, 2011, and 2010, were \$16,422, \$23,991, and \$27,513, respectively, equal to the required contributions for each year.

Note 4 - 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 Board, 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 for 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.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
GADSDEN COUNTY SUPERVISOR OF ELECTIONS
(Concluded)

Note 5 - Long-term Liabilities

The following is a summary of the changes in long-term liabilities of the Supervisor of Elections for the year ended September 30, 2012:

	<u>Balance</u>			<u>Balance</u>
	<u>October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2012</u>
Liability for Compensated Absences	\$ 17,763	\$ 16,015	\$ (12,867)	\$ 20,911

The portion of the compensated absences liability estimated to be paid during the next year (current portion) is \$8,671.

Note 6- Other Postemployment Benefits

Plan Description—The Supervisor of Elections participates and administers an agent single-employer plan under which qualified retired employees are permitted to participate in health, dental, vision and life insurance benefits program (the Program). A stand-alone financial report is not issued for the Program.

Funding Policy—Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

Annual OPEB Cost and Net OPEB Obligation—The Supervisor of Elections' OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years.

The Supervisor of Elections' portion of the other postemployment benefits liability at September 30, 2012, is reported as part of the Board's OPEB obligation and is not shown as a separate amount. This liability will be included in long-term liabilities in the County-wide financial statements. Details and other required disclosures can be found in the County-wide annual financial report.

OTHER REPORTS

**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 Honorable Shirley Green Knight
Gadsden County Supervisor of Elections
Gadsden County, Florida

We have audited the special purpose financial statements of the Gadsden County, Florida, Supervisor of Elections (the Supervisor of Elections), as of and for the year ended September 30, 2012, and have issued our report thereon dated March 26, 2013, which was modified to refer to a basis of accounting required for state filing requirements, and for other reasons. 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

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Supervisor of Elections' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Supervisor of Elections' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections' internal control over financial reporting.

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

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

Certified Public Accountants

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

The Honorable Shirley Green Knight
Gadsden County Supervisor of Elections
Gadsden County, Florida

**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*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supervisor of Elections' 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*.

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

Purvis, Gray and Company, LLP

March 26, 2013
Gainesville, Florida

MANAGEMENT LETTER

The Honorable Shirley Green Knight
Gadsden County Supervisor of Elections
Gadsden County, Florida

We have audited the special purpose financial statements of the Gadsden County, Florida, Supervisor of Elections (the Supervisor of Elections), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 26, 2013, which was modified to refer to a basis of accounting required for compliance with state filing requirements, and for other reasons.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our independent auditors' report on internal control over financial reporting and compliance and other matters. Disclosures in that report, if any, which is dated March 26, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the Supervisor of Elections complied with Section 218.415, *Florida Statutes*.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the entity's financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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The Honorable Shirley Green Knight
Gadsden County Supervisor of Elections
Gadsden County, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the special purpose financial statements. The Supervisor of Elections was established by the Constitution of the State of Florida, Article VIII, Section 1(d). There were no component units related to the Supervisor of Elections.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

March 26, 2013
Gainesville, Florida