

4. REPORTS TO BE RECEIVED FOR FILING:

- a. Pinellas County Sheriff's Office Special-Purpose Financial Statements, September 30, 2013, with summarized financial information for the year ended September 30, 2012.
- b. City of Oldsmar Community Redevelopment Agency 2013/14 Annual Report.
- c. City of Safety Harbor Community Redevelopment Agency Fiscal Year 12/13 Annual Report.
- d. Southwest Florida Water Management District Comprehensive Annual Financial Report and Annual Financial Report for the Fiscal Year Ended September 30, 2013 (CD).
- e. Dock Fee Report for the month of March 2014.
- f. Quarterly Report of Routine Dock and Dredge/Fill Permits issued from January 1, 2014 to March 31, 2014.



Sheriff Bob Gualtieri

Pinellas County Sheriff's Office

"Leading The Way For A Safer Pinellas"

April 4, 2014

Norman Loy, Board Records Manager
Clerk of Circuit Court
315 Court Street, 5th Floor
Clearwater, FL 33756

Re: Receipt and File of the Special Purpose Financial Statements for the Pinellas County Sheriff's Office for the year ended September 30, 2013

Dear Mr. Loy:

Attached please find the September 30, 2013 Special Purpose Financial Statements for the Pinellas County Sheriff's Office issued February 12, 2014, with summarized financial information for the year ended September 30, 2012 as restated.

If you have any questions please call at (727) 582-6206.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Gualtieri".

Sheriff Bob Gualtieri
Pinellas County, Florida

BG: SEK/dcb

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COMMISSIONERS
PINELLAS COUNTY FLORIDA

PINELLAS COUNTY, FLORIDA
SHERIFF

SPECIAL-PURPOSE FINANCIAL STATEMENTS

September 30, 2013
*(With Summarized Financial Information
for the year ended September 30, 2012)*

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PINELLAS COUNTY FLORIDA

PINELLAS COUNTY, FLORIDA SHERIFF
Clearwater, Florida

SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013
(With Summarized Financial Information
for the year ended September 30, 2012)

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INDEPENDENT AUDITOR'S REPORT

Sheriff Bob Gualtieri
Pinellas County, Florida Sheriff
Clearwater, Florida

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Pinellas County, Florida Sheriff (the "Sheriff"), as of and for the year ended September 30, 2013, and the related notes to the special-purpose financial statements, which collectively comprise the Sheriff's special-purpose financial statements as listed in the table of contents.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Sheriff, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matters

As discussed in Note 1, the special-purpose financial statements were prepared for the purpose of complying with the financial reporting provisions of Section 218.39, *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General*, and are not intended to be a complete presentation of the financial position of the Sheriff as of September 30, 2013, and the changes in financial position thereof for the year then ended, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended. Our opinions are not modified with respect to this matter.

As discussed in Note 1, the special-purpose financial statements present only the Sheriff and do not purport to, and do not, present fairly the financial position of Pinellas County, Florida as of September 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 13 to the financial statements, an error in the prior year was discovered by management of the Sheriff during the current year. An adjustment has been made to fund balance of the General Fund as of October 1, 2012 to correct this error. Our opinions are not modified with respect to this matter.

As discussed in Note 12 to the financial statements, the Sheriff adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of the Sheriff as of September 30, 2012, were audited by other auditors whose report dated March 28, 2013, expressed an unmodified opinion on those statements. In our opinion, except for the matter discussed Note 13 to the financial statements, the summarized comparative information presented herein as of and for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule and schedule of funding progress on pages 24–28 and 29, respectively, be presented to supplement the special-purpose financial statements. Such information, although not a part of the special-purpose financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the special-purpose 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 special-purpose financial statements, and other knowledge we obtained during our audit of the special-purpose 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.

(Continued)

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the special-purpose financial statements. Such missing information, although not a part of the special-purpose financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the special-purpose financial statements in an appropriate operational, economic, or historical context. Our opinions on the special-purpose financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's financial statements. The combining schedules on pages 32-39 are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining schedules on pages 32-39 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules on pages 32-39 are fairly stated, in all material respects, in relation to the financial statements as a whole.

Restriction on Use

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2014 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheriff's internal control over financial reporting and compliance.



Crowe Horwath LLP

Tampa, Florida
February 12, 2014

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2013
(With Summarized Financial Information for the Year Ended September 30, 2012)

	General Fund	Commissary Fund	Florida Dept. of Children and Families Fund	Secondary Employment Fund	Nonmajor Special Revenue Funds	2013 Total	2012 Total
ASSETS							
Cash and cash equivalents	\$ 15,482,669	\$ 1,657,092	\$ 1,433,665	\$ 238,237	\$ 741,360	\$ 19,553,023	\$ 13,739,351
Investments	-	-	-	-	25,549	25,549	27,292
Accounts receivable	55,800	47	-	7,852	198,281	261,980	107,370
Due from Pinellas County, Florida							
Board of County Commissioners	150,362	-	-	2,497	30,670	183,529	947,830
Due from Pinellas County,							
Florida Constitutional Officers	740	-	-	-	-	740	-
Due From Pinellas County, Florida							
Clerk of the Circuit Court	1,370	-	-	-	-	1,370	1,743
Due from other governments	1,457,158	-	-	11,466	-	1,468,624	3,435,202
Due from other funds	-	-	-	-	-	-	500,000
Prepays	-	-	-	-	-	-	7,411,606
Inventory	896,032	-	-	-	-	896,032	1,012,740
Other assets	35,148	-	-	-	-	35,148	95,911
Total assets	\$ 18,079,279	\$ 1,657,139	\$ 1,433,665	\$ 260,052	\$ 995,860	\$ 22,425,995	\$ 27,279,045
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ 1,288,693	\$ 239,915	\$ 29,357	\$ -	\$ 365	\$ 1,558,330	\$ 1,731,200
Accrued salaries and fringe benefits	4,131,303	39,246	199,996	42,288	17,036	4,429,869	3,787,813
Unearned revenue	-	736,815	-	78,947	-	815,762	699,085
Due to Pinellas County, Florida							
Board of County Commissioners	3,465,095	-	-	-	-	3,465,095	8,724,209
Due to Pinellas County, Florida							
Clerk of the Circuit Court	28,317	923	1,126	-	-	30,366	2,517
Due to other governments	26,307	3,784	1,776	90	197,961	229,918	220,611
Due to other funds	7,829,996	-	-	-	-	7,829,996	-
Other current liabilities	251,116	-	-	300	-	251,416	565,915
Total liabilities	17,020,827	1,020,683	232,255	121,625	215,362	18,610,752	15,731,350
Deferred inflows of resources							
Advanced grant funding	-	-	1,201,410	-	-	1,201,410	1,130,721
Advanced installment loan proceeds	162,420	-	-	-	-	162,420	-
Total deferred inflows of resources	162,420	-	1,201,410	-	-	1,363,830	1,130,721
Fund balances							
Nonspendable							
Prepays	-	-	-	-	-	-	7,411,606
Inventory	896,032	-	-	-	-	896,032	1,012,740
Spendable							
Restricted	-	636,456	-	138,427	780,498	1,555,381	1,992,628
Total fund balances	896,032	636,456	-	138,427	780,498	2,451,413	10,416,974
Total liabilities, deferred inflows of resources and fund balances	\$ 18,079,279	\$ 1,657,139	\$ 1,433,665	\$ 260,052	\$ 995,860	\$ 22,425,995	\$ 27,279,045

See accompanying notes to special-purpose financial statements.

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2013
(With Summarized Financial Information for the Year Ended September 30, 2012)

	General Fund	Commissary Fund	Florida Dept. of Children and Families Fund	Secondary Employment Fund	Nonmajor Special Revenue Funds	2013 Total	2012 Total
Revenues							
Program revenue	\$ -	\$ -	\$ 10,221,000	\$ -	\$ -	\$ 10,221,000	\$ 10,433,769
Traffic fine revenue	-	-	-	-	199,771	199,771	195,059
Charges for services	-	-	-	1,659,368	282,145	1,941,513	2,050,178
Merchandise sales	-	551,056	-	-	-	551,056	527,136
Inmate phones	-	1,748,543	-	-	-	1,748,543	1,475,902
Miscellaneous revenue	-	-	-	-	-	-	423,066
Interest and other revenue	336,100	8,741	-	720	1,485	347,046	14,076
Total revenues	<u>336,100</u>	<u>2,308,340</u>	<u>10,221,000</u>	<u>1,660,088</u>	<u>483,401</u>	<u>15,008,929</u>	<u>15,119,186</u>
Expenditures							
Salaries							
Sheriff	162,549	-	-	-	-	162,549	152,997
Deputies and assistants	133,252,637	1,440,346	6,674,652	1,581,986	235,149	143,184,770	145,831,828
Employee fringe benefits	60,345,175	549,453	2,403,802	183,972	51,858	63,534,260	43,668,658
Operating expenditures							
Professional services	5,021,902	19,855	8,744	-	4,722	5,055,223	4,140,601
Accounting and auditing	160,702	-	-	-	-	160,702	173,323
Other contractual services	9,934,301	45,000	65,844	-	280,589	10,325,734	9,600,495
Investigations	323,920	-	-	-	1,248	325,168	384,949
Travel and per diem	217,806	516	29,425	-	481	248,228	204,387
Communication services	303,616	169,759	107,675	-	3,224	584,274	1,073,691
Transportation	64,355	-	31	-	7,000	71,386	77,299
Utilities	13,305	-	-	-	-	13,305	14,110
Rentals and leases	318,313	-	431,038	-	3,981	753,332	657,950
Insurance	1,571,108	153	215	-	371	1,571,847	1,286,908
Repairs and maintenance	1,949,546	11,535	46,657	-	115	2,007,853	2,040,694
Printing and binding	84,050	5,832	5,624	10	4,451	99,967	129,859
Promotional activities	297,136	-	78	-	-	297,214	297,734
Other charges and obligations	1,345,392	95,717	1,258	8,012	1,018	1,451,397	1,457,727
Office supplies	1,131,637	19,591	74,816	492	1,658	1,228,194	1,347,009
Operating supplies	6,127,953	82,788	209,094	575	32,554	6,452,964	5,885,419
Books, publications, and dues	83,910	32,867	189	-	399	117,365	122,937
Training	468,915	1,033	2,395	-	-	472,343	385,850
Capital outlay	7,411,140	-	159,463	2,440	8,326	7,581,369	6,744,870
Debt Service-principal	453,406	-	-	-	-	453,406	-
Total expenditures	<u>231,042,774</u>	<u>2,474,445</u>	<u>10,221,000</u>	<u>1,777,487</u>	<u>637,144</u>	<u>246,152,850</u>	<u>225,679,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(230,706,674)</u>	<u>(166,105)</u>	<u>-</u>	<u>(117,399)</u>	<u>(153,743)</u>	<u>(231,143,921)</u>	<u>(210,560,109)</u>
Other financing sources (uses)							
Transfers in							
Pinellas County, Florida Board of County Commissioners appropriations	221,516,555	-	-	-	-	221,516,555	215,038,504
Installment contract proceeds	3,399,713	-	-	-	-	3,399,713	-
Transfers out							
Distribution of excess appropriations to Pinellas County, Florida Board of County Commissioners	(1,621,200)	-	-	-	-	(1,621,200)	(5,022,315)
Total other financing sources (uses)	<u>223,295,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,295,068</u>	<u>210,016,189</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(7,411,606)</u>	<u>(166,105)</u>	<u>-</u>	<u>(117,399)</u>	<u>(153,743)</u>	<u>(7,848,853)</u>	<u>(543,920)</u>
Fund balances – beginning of year as restated	8,424,346	802,561	-	255,826	934,241	10,416,974	11,009,492
Increase (decrease) in reserve for inventory	<u>(116,708)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,708)</u>	<u>(48,598)</u>
Fund balances – end of year	<u>\$ 896,032</u>	<u>\$ 636,456</u>	<u>\$ -</u>	<u>\$ 138,427</u>	<u>\$ 780,498</u>	<u>\$ 2,451,413</u>	<u>\$ 10,416,974</u>

See accompanying notes to special-purpose financial statements.

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE STATEMENT OF NET POSITION - INTERNAL SERVICE FUND
September 30, 2013
(With Summarized Financial Information for the Year Ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,984,365	\$ 8,815,922
Investments	12,400,621	12,639,769
Accounts receivable	14,350	250,269
Due from Pinellas County, Florida		
Board of County Commissioners	14,623,706	13,680,241
Due from other funds	7,829,996	-
Advance to claims administrator	223,077	455,703
Total current assets	<u>39,076,115</u>	<u>35,841,904</u>
Total assets	<u>39,076,115</u>	<u>35,841,904</u>
Liabilities		
Current liabilities		
Accounts payable	724,948	542,152
Due to other funds	-	500,000
Claims payable	3,037,799	3,252,869
Unearned revenue	380,274	182,568
Total current liabilities	<u>4,143,021</u>	<u>4,477,589</u>
Non-current liabilities		
Net OPEB obligation	119,598,865	95,342,298
Total non-current liabilities	<u>119,598,865</u>	<u>95,342,298</u>
Total liabilities	<u>123,741,886</u>	<u>99,819,887</u>
Net position (deficit)		
Unrestricted	<u>\$ (84,665,771)</u>	<u>\$ (63,977,983)</u>

See accompanying notes to special-purpose financial statements.

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - INTERNAL SERVICE FUND
Year Ended September 30, 2013
(With Summarized Financial Information for the Year Ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
Operating revenues		
Charges for services	\$ 42,708,368	\$ 36,324,269
Total operating revenue	<u>42,708,368</u>	<u>36,324,269</u>
Operating expenses		
Contract services	61,826,990	61,331,839
Other operating expenses	2,273,481	2,228,390
Total operating expenses	<u>64,100,471</u>	<u>63,560,229</u>
Operating income (loss)	<u>(21,392,103)</u>	<u>(27,235,960)</u>
Nonoperating revenues (expenses)		
Interest revenue	392,345	414,914
Gain (loss) on investments	(537,426)	(106,091)
Investment expense	(94,069)	(93,825)
Total nonoperating revenues (expenses), net	<u>(239,150)</u>	<u>214,998</u>
Transfer in from the Pinellas County, Florida Board of County Commissioners	<u>943,465</u>	<u>943,465</u>
Changes in net position	(20,687,788)	(26,077,497)
Total net position (deficit) – beginning	<u>(63,977,983)</u>	<u>(37,900,486)</u>
Total net position (deficit) – ending	<u><u>\$ (84,665,771)</u></u>	<u><u>\$ (63,977,983)</u></u>

See accompanying notes to special-purpose financial statements.

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND
Year Ended September 30, 2013
(With Summarized Financial Information for the Year Ended September 30, 2012)

	Years Ended September 30	
	<u>2013</u>	<u>2012</u>
Operating activities		
Cash received from customers	\$ 35,311,997	\$ 25,635,685
Payments to suppliers	(40,143,554)	(40,233,203)
Net cash used in operating activities	<u>(4,831,557)</u>	<u>(14,597,518)</u>
Investing activities		
Deposits to investment pool	239,150	(214,998)
Investment earnings, net	(239,150)	214,998
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(4,831,557)	(14,597,518)
Cash and cash equivalents – beginning of year	<u>8,815,922</u>	<u>23,413,440</u>
Cash and cash equivalents – end of year	<u>\$ 3,984,365</u>	<u>\$ 8,815,922</u>
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	\$ (21,392,103)	\$ (27,235,960)
Changes in operating assets and liabilities		
Accounts receivable	235,919	(243,886)
Due from other funds	(7,829,996)	-
Prepaid expenses	232,626	63,932
Accounts payable	182,794	(141,989)
Due to other funds	(500,000)	(283,037)
Net OPEB obligation	24,256,567	23,080,012
Unearned revenue	197,706	(10,444,699)
Claims payable	(215,070)	608,109
Net cash used in operating activities	<u>\$ (4,831,557)</u>	<u>\$ (14,597,518)</u>
Noncash investing, capital, and financing activities		
Increase in fair value of investments since inception	<u>\$ 1,200,621</u>	<u>\$ 1,439,769</u>

See accompanying notes to special-purpose financial statements.

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE BALANCE SHEET – AGENCY FUNDS
September 30, 2013
(With Summarized Financial Information for the Year Ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 2,313,749	\$ 524,749
Accounts receivable	<u>222</u>	<u>-</u>
Total assets	<u><u>\$ 2,313,971</u></u>	<u><u>\$ 524,749</u></u>
Liabilities		
Accounts payable and accrued expenses	\$ 4,722	\$ 289
Due to other governments	1,876,976	-
Individual deposits	137,555	165,814
Unclaimed funds and other deposits	<u>294,718</u>	<u>358,646</u>
Total liabilities	<u><u>\$ 2,313,971</u></u>	<u><u>\$ 524,749</u></u>

See accompanying notes to special-purpose financial statements.

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Reporting Entity: The Pinellas County, Florida Sheriff (the Sheriff), is an elected constitutional officer as provided for by the Constitution of the State of Florida. The Sheriff is the chief law enforcement officer of the County and is responsible for operating the County's corrections facilities. Pursuant to Chapter 129, Florida Statutes, the Sheriff's budget is submitted to the Pinellas County, Florida (the County) Board of County Commissioners (Board) for approval. In addition, for financial reporting purposes, it is deemed to be a part of the primary government of the County and is, therefore, included as such in the Pinellas County, Florida Comprehensive Annual Financial Report (CAFR).

Measurement Focus, Basis of Accounting, and Basis of Presentation: The special-purpose financial statements include the General Fund, Commissary Fund, Florida Department of Children and Families fund, non-major special revenue funds, internal service fund, and agency funds of the Sheriff. The accompanying special-purpose financial statements were prepared for the purposes of complying with Section 218.39, Florida Statutes, and Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits.

Chapter 10.550, Rules of the Auditor General for Local Governmental Entity Audits, requires the Sheriff to present only 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 Sheriff as of September 30, 2013, and the changes in its financial position and where applicable, cash flows thereof, 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.

Governmental funds are accounted for using the flow of current financial resources measurement focus. Only current assets and current liabilities, generally, are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Sheriff has the following major governmental funds:

- *General Fund* - The general fund is a major fund that is used to account for all revenues and expenditures applicable to the general operations of the Sheriff that are not accounted for in another fund. All operating revenue, which is not specifically restricted as to use, is recorded in the General Fund.
- *Commissary Fund* - This major special revenue fund is used to account for the proceeds of the Sheriff's commissary, specific revenue sources that are legally restricted to specified purposes.
- *Florida Department of Children and Families Fund* - This fund is used to account for the revenues and expenditures arising from state contracts for the purpose of performing child protective investigations.
- *Secondary Employment Fund* - This fund is used to account for the receipts and disbursements of the Sheriff's special detail activities. The charges for services received are to be used specifically for special detail activities.

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available to finance current liabilities of the fiscal year). For this purpose, the Sheriff considers revenues, other than grant funds, to be available if they are collected within 60 days of the end of the current period. Grant revenues are considered available if they are collected within one year after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized as expenditures when used.

Substantially all of the Sheriff's funding is appropriated by the Board. In applying the susceptible to accrual concept to intergovernmental revenue, there are essentially two types of revenue. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Sheriff; therefore, revenue is recognized based upon the expenditures incurred. Program (grant) revenue is recorded in this manner. In the other, monies are virtually unrestricted and are revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt, or earlier, if the susceptible to accrual criteria are met.

In January 2011, The Pinellas County Sheriff opened Pinellas Safe Harbor, located on 49th Street, to serve as a shelter and social service headquarters for homeless persons who otherwise would be involved in the criminal justice system. The facility is supported by funding from the Board of County Commissioners and donations received from Pinellas County municipalities. In 2013, donations for this purpose were received in the amount of \$336,100.

Interest income and other revenue are recognized as they are earned and become measurable and available to pay liabilities of the current period.

Section 218.36(1), Florida Statutes, provides that the amount by which revenues and transfers in exceed annual expenditures for each major fund be remitted to the Board within 31 days immediately following the fiscal year for which the funding was provided or following the fiscal year during which other revenue was recognized. The amount of this distribution is recorded as a liability and as a transfer out (other financing use) in the accompanying special-purpose financial statements.

Capital outlays expended in the governmental funds are capitalized in the basic financial statements of the County rather than in the governmental funds of the Sheriff.

Additionally, the Sheriff reports the following fund types:

Internal Service Fund – This fund is used to account for the Sheriff's self-insurance benefits program. The Sheriff is self-insured for medical and dental claims covering all employees, retirees, and their eligible dependents. In this fund, operating revenues and expenses are those transactions related to the ongoing operations and are distinguished from non-operating revenues and expenses.

Fiduciary Funds – Agency Funds – These funds are used to account for assets held by the Sheriff as an agent for individuals, private organizations, other governments, and other funds. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations or have a measurement focus.

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

New Fund Balance Reporting and Governmental Fund Type Definitions: Effective October 1, 2010, the Sheriff implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This GASB Statement clarifies governmental fund balance classifications and fund-type definitions. Fund balances are classified either as non-spendable or as spendable. Spendable fund balances are further classified in a hierarchy based on the extent to which there are external and internal constraints on the spending of these fund balances.

These classifications are described as follows:

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. At the Sheriff's office, inventories and prepaid items fall into this category.

Spendable fund balances are classified based on a hierarchy of the Sheriff's ability to control the spending of these fund balances and are further classified as follows.

Restricted fund balances are fund balance amounts that are constrained for specific purposes, which are externally imposed by creditors, grantors, contributors, or laws or regulations or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are fund balances constrained for specific purposes imposed by the Sheriff.

Assigned fund balances are fund balances intended to be used for specific purposes, but are neither restricted nor committed. The Sheriff has no assigned fund balances because the Sheriff has not delegated his authority to other parties.

Unassigned fund balance is the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

The fund balance categories of the governmental funds are shown on the face of the Special Purpose Balance Sheet – Governmental Funds in the Fund Financial Statements and are summarized as follows:

**Governmental Fund Balances by Category
September 30, 2013**

	Total Governmental Funds
Non-spendable	\$ 896,032
Spendable	
Restricted	<u>1,555,381</u>
Total fund balances	<u>\$ 2,451,413</u>

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

The Sheriff uses restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts prohibiting this, such as grant agreements requiring dollar for dollar spending. In addition, the Sheriff uses committed prior to assigned fund balances and assigned fund balances prior to unassigned fund balances.

Cash and Cash Equivalents: Cash and cash equivalents are defined for financial reporting purposes as any liquid investment with original maturities of three months or less. The Sheriff maintains a cash pool for the deposits of all governmental and special revenue funds. Each fund type's portion of these balances is presented as cash and cash equivalents in the accompanying financial statements. Earnings from pooled cash are allocated to the respective funds based on the average daily equity balance of each fund in the pool. The interest earned by the General fund is transferred to the Board of County Commissioners on a monthly basis.

Investments: The investment program of the Sheriff is established in accordance with the Sheriff's investment policy and Sections 219.075 and 218.415, Florida Statutes. The Sheriff's investment policy authorizes the following investments:

- Florida PRIME, formerly the Local Government Surplus Funds Trust Fund (SBA Pool)
- Securities and Exchange Commission registered money market funds
- Savings accounts and certificates of deposit in state-certified qualified public depositories, as defined in Section 280.02, *Florida Statutes*
- Direct obligations of the U.S. Treasury
- Obligations of federal agencies and instrumentalities

The Sheriff invested funds throughout the year under the stewardship of the Pinellas County Sheriff's Office Health Insurance Trust and those investments are carried at fair market value. The Pinellas County Sheriff's Office Health Insurance Trust is administered by the Sheriff's Office. This fund is registered with the Securities and Exchange Commission (SEC) as an investment company, and operates in a manner consistent with the regulations set forth in SEC Rule 2a7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. This money market fund is not categorized as to custodial risk according to the criteria set forth in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Due From/Due to Other Funds: Amounts receivable from, or payable to, other funds are reflected in the accounts of the funds until liquidated, usually within one year.

Inventory: Inventory consists of fuel, jail supplies, and fleet supplies, and is stated on an average cost basis. Inventory is accounted for under the consumption method, whereby the cost is recorded as an expenditure when used rather than when purchased. Reported inventory is classified as a non-spendable fund balance to indicate it does not constitute an available expendable resource.

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

Capital Assets: Capital assets used by the Sheriff are recorded in the basic financial statements of the County. Upon acquisition, such assets are recorded as expenditures in the governmental funds of the Sheriff, and are capitalized at cost in the basic financial statements of the County. Capital assets are items with individual costs of \$1,000 or more with useful lives of more than one year. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date received. The Sheriff maintains custodial responsibility for the capital assets used. No depreciation has been reflected in these financial statements. However, depreciation expense on these assets is recorded in the basic financial statements of the County.

Prepaid Insurance Claims: Prepaid insurance claims consist of insurance premiums and amounts paid in advance to the Sheriff's claims administrator. The prepaid balance in government funds, if any, is not an available expendable resource.

Unearned Revenue: Unearned revenue in the commissary fund represents phone commissions on inmate phone usage received in advance of usage. Unearned revenue in the internal service fund represents contributions paid in advance for insurance premiums related to the next fiscal year and unearned revenue in the secondary employment fund represents monies paid in advance of deputy details.

Deferred Inflows of Resources: In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Sheriff has only one type, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unearned revenue, is reported only in the governmental funds balance sheet. The governmental funds report unearned revenues from two sources: grants and unspent installment loan proceeds. These amounts are capitalized and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences: All full-time employees of the Sheriff are entitled to annual vacation and sick leave with pay. The employees are generally allowed to accumulate vacation leave up to a maximum of 620 hours and accumulate sick leave with no maximum. Upon termination, the employee is paid for up to one-half of accumulated sick leave, depending on length of service, and up to 520 hours of accumulated vacation. Vacation and sick leave payments are included in operating costs when the payments are made to the employees. The Sheriff does not, nor is legally required to, accumulate expendable financial resources for these unmatured obligations. Accordingly, the liability for compensated absences is not reported in the governmental funds, but rather is reported in the basic financial statements of the Board.

Operating Revenues and Expenses: The Internal Service Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from contributions for insurance and other benefits and costs related to providing services in connection with operating the fund, including professional services and administrative costs. All revenues and expenses not meeting that definition are reported as non-operating revenues and expenses.

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Continued)

Accounting for Proprietary Fund Activities: The Sheriff has applied GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* to the proprietary fund activities.

Restrictions on Resources: When both restricted and unrestricted resources are available for use, the Sheriff's policy is to use restricted resources first, then unrestricted resources as needed.

Fund Balance Deficit: The Sheriff's internal service fund had a fund balance deficit of \$84,665,771 at September 30, 2013. This deficit was caused by the Sheriff's net OPEB obligation of \$119,598,865 at September 30, 2013, over current reserves held by the Sheriff and Board on behalf of the Sheriff. This deficit will be remedied through future increased premiums and/or user charges and/or transfers from the Board.

Financial Information for 2012: Certain special-purpose financial statements include prior-year summarized comparative information in total but not by major fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Sheriff's financial statements for the year ended September 30, 2012.

NOTE 2 - CASH, DEPOSITS AND INVESTMENTS

As of September 30, 2013 and 2012, the carrying value of the Sheriff's cash on hand, deposits, and investments were as follows:

<u>Type</u>	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 156,333	\$ 160,084
Deposits	25,694,804	22,919,938
Investments	<u>12,426,170</u>	<u>12,667,061</u>
Total cash, deposits, and investments	<u>\$ 38,277,307</u>	<u>\$ 35,747,083</u>

Financial Statement Presentation

Governmental Funds	\$ 19,578,572	\$ 13,766,643
Internal Service Fund	16,384,986	21,455,691
Fiduciary Funds	<u>2,313,749</u>	<u>524,749</u>
	<u>\$ 38,277,307</u>	<u>\$ 35,747,083</u>

Custodial Credit Risk: The Sheriff's investment policy requires the Sheriff to execute a third-party custodial safekeeping agreement which is separately chartered by the United States Government or the State of Florida. All securities purchased and collateral obtained by the Sheriff shall be properly designated as an asset of the Sheriff and held in safekeeping by that entity.

At September 30, 2013, the Sheriff's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this Section, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss.

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 2 - CASH, DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The Sheriff's investment policy limits credit risk by restricting investments to the list provided above. Money market funds must maintain the highest credit quality rating from a nationally recognized rating agency.

At September 30, 2013, the Sheriff's investments, along with their respective ratings from Moody's, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Certificate of deposit	\$ 25,549	N/A
Money market funds	279,880	N/A
Direct obligations of the U.S. Treasury	6,595,477	AAA
U.S. agencies and instrumentalities	<u>5,525,264</u>	AAA
	<u>\$ 12,426,170</u>	

Concentration of Credit Risk: The investment policy provides guidelines on maximum limits for security diversification with the option to further restrict or increase investment percentages from time to time based on market conditions. The portfolio was maintained within those guidelines. The portion of the Sheriff's portfolio invested in federal instrumentalities as of September 30, 2013, was as follows:

<u>Issuer</u>	<u>Percent of Portfolio</u>
Federal National Mortgage Association	15.75%
Federal Home Loan Bank (Federal National)	16.16%
Federal Home Loan Mortgage Corporation	12.55%

Interest Rate Risk – Investments: Section 218.415, Florida Statutes, requires that the Sheriff's investment policy be structured to place the highest priority on the safety of principal and liquidity of funds. Accordingly, the Sheriff's investment policy requires that all investment of current operating funds be in maturities no longer than 12 months. Investment of non-operating funds shall have a term appropriate to the need of the funds, but in no event shall the maturities exceed five years. No surplus funds may be invested in a derivative investment, as defined in Section 218.45(5), Florida Statutes.

At September 30, 2013, the fair value of the Sheriff's portfolio categorized by maturity was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less Than 1</u>	<u>1-3</u>	<u>Thereafter</u>
Certificate of deposit	\$ 25,549	\$ 25,549	\$ -	\$ -
Money market funds	279,880	279,880	-	-
Direct obligations of the U.S. Treasury	6,595,477	-	2,896,377	3,699,100
U.S. agencies and instrumentalities	<u>5,525,264</u>	<u>1,751,637</u>	<u>2,413,088</u>	<u>1,360,539</u>
	<u>\$ 12,426,170</u>	<u>\$ 2,057,066</u>	<u>\$ 5,309,465</u>	<u>\$ 5,059,639</u>

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 3 - CAPITAL ASSETS

Capital Asset activity is as follows:

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
Automobile and other vehicles	\$ 32,051,974	\$ 4,642,270	\$ (909,488)	\$ 35,784,756
Improvements	3,047,824	408,704	-	3,456,528
Software – internally generated	1,842,500	-	-	1,842,500
Software – purchased	6,081,700	907,070	(15,842)	6,972,928
Furniture and equipment	46,197,194	2,400,485	(3,461,760)	45,135,919
Total assets	89,221,192	8,358,529	(4,387,090)	93,192,631
Less accumulated depreciation	67,703,418	7,086,532	(4,292,036)	70,497,914
	<u>\$ 21,517,774</u>	<u>\$ 1,271,997</u>	<u>\$ (95,054)</u>	<u>\$ 22,694,717</u>

NOTE 4 - EMPLOYEE RETIREMENT PLAN

Substantially, all full-time employees of the Sheriff are eligible to participate in the State of Florida Retirement System (System), a cost-sharing, multiple-employer defined benefit plan administered by the State of Florida, Division of Retirement. The system is a defined benefit plan for all state, and participating county, district school board, community college, and university employees (Pension Plan). The System also offers eligible employees participation in an alternative defined contribution plan (Investment Plan). The Sheriff participates in the Elected State Officers' Class investment plan. The plan is administered by the State of Florida. Contribution rates are established statewide for all participating governmental units. Accordingly, the actuarial information and related disclosures attributable to the Sheriff's employees are not determinable.

Vested employees participating in the Pension Plan who retire at or after age 62, or with 30 years of service regardless of age, are entitled to a retirement benefit, payable monthly for life, equal to 1.6% for regular employees, 2.0% for senior management, and 3.0% for county elected officials for each year of credited service times their average final compensation; and for special risk, after age 55, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, up to 3.0% for each year of credited service. Final average compensation is the employee's average of the five highest years of salary earned during credited service. Vested employees may retire before age 62 for regular risk and 55 for special risk 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 and disability benefits. Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, *Florida Administrative Code*.

The Deferred Retirement Option Program (DROP) is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of the system, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for a system employer. The participation in the program does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increases).

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 4 - EMPLOYEE RETIREMENT PLAN (Continued)

The System publishes an annual report that provides 10-year historical trend information about progress made in accumulating sufficient assets to pay benefits when due. This report may be obtained by writing to Division of Retirement, Research, Education, and Policy Section, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-5706, or by calling (850) 488 5706, or accessing their Internet site at http://dms.myflorida.com/human_resource_support/retirement/publications/system_information/annual_reports.

The Sheriff is required to contribute an actuarially determined rate. The contribution requirements of the Sheriff are established and may be amended by the State of Florida. The contribution rates by job class were as follows: special-risk employees 14.90%, county elected officials 10.23%, regular 5.18%, and DROP employees 5.44% from October 1, 2012 through June 30, 2013; special-risk employees 19.06%, county elected officials 33.03%, regular 6.95%, and DROP employees 12.84% from July 1, 2013 through September 30, 2013. Effective July 1, 2011, employees participating in the System were required to contribute 3% of their eligible salaries to the Pension Plan. The Sheriff's contributions to the plan for the years ended September 30, 2013, 2012, and 2011 were \$17,100,461, \$15,370,966, and \$23,797,361, respectively, equal to the required contributions for each year.

NOTE 5 - LONG-TERM DEBT

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013	Due within one year
Installment Loan	\$ -	\$ 3,562,132	\$ 453,406	\$ 3,108,726	\$ 876,700
Accrued Compensated Absences	<u>26,556,568</u>	<u>20,566,818</u>	<u>18,881,769</u>	<u>28,241,617</u>	<u>18,916,611</u>
	<u>\$ 26,556,568</u>	<u>\$ 24,128,950</u>	<u>\$ 19,335,175</u>	<u>\$ 31,350,343</u>	<u>\$ 19,793,311</u>

Debt Service requirements for Installment loan:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 876,700	\$ 30,112
2015	885,858	20,954
2016	895,112	11,700
2017	<u>451,056</u>	<u>2,350</u>
	<u>\$ 3,108,726</u>	<u>\$ 65,116</u>

These long-term liabilities are not reported in the special-purpose financial statements of the Sheriff, but are reported in the basic financial statements of the Board. Long-term debt is funded by General fund appropriations for the installment loan. This loan has a four year term at an interest rate of 1.0419% and was used to purchase agency vehicles. One principal payment of \$453,406 was made during the fiscal year.

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 6 - OPERATING LEASES

The Sheriff is committed for office space leased for the Dept. of Children and Families operations for a five year term which began January 1, 2010. Lease expense for the fiscal year totaled \$395,075. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2014	\$ 373,699
Total future minimum lease payments	<u>\$ 373,699</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

The Sheriff incurred costs and charges from the Board during the fiscal year ended September 30, 2013, for various services as follows:

Risk management	\$ 4,822,750
Information systems	<u>300,610</u>
Total charges	<u>\$ 5,123,360</u>

During 2013, the Board provided funding for the Sheriff that amounted to \$221,516,555. At September 30, 2013, the Sheriff had amounts due to the Board of \$3,465,095, which is comprised as follows:

Distribution of excess appropriations	\$ 1,621,200
Amounts due for various services	<u>1,843,895</u>
Total due to Board	<u>\$ 3,465,095</u>

In addition, for the year ended September 30, 2013, the Sheriff collected \$30,490,006 in revenues that were remitted to the Board. The Sheriff had payables to other constitutional officers of \$30,366, receivables from the Board of \$183,529 and from constitutional officers of \$2,110 at September 30, 2013.

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 8 - INTERFUND RECEIVABLE/PAYABLE

<u>Transfer From</u>	<u>Transfer To</u>	<u>Year</u>		<u>Purpose</u>
		<u>2013</u>	<u>2012</u>	
General Fund	Health Insurance Trust Fund	\$ 7,829,996		Funding of health insurance liability
Health Insurance Trust Fund	General Fund		\$ 500,000	Adjustment to funding of health insurance liability

Interfund receivable/payable is the activity recorded for self-insurance.

NOTE 9 - RISK MANAGEMENT

The County is exposed to various risks of loss; including, but not limited to, general liability, property and casualty, auto and physical damage, and workers' compensation. The County is substantially self-insured and accounts for and finances its risk of uninsured loss through an internal service fund. All liabilities associated with these self-insured risks are reported in the basic financial statements of the Board of County Commissioners. During the year ended September 30, 2013, the Sheriff was charged \$4,822,750 by the County for participation in the risk management program. Effective January 1, 2008, the Sheriff assumed responsibility for litigating general liability and police practice risk claims. During the year ended September 30, 2013, the Sheriff settled 152 claims totaling \$58,448.

Under this self-insured program, the County provides coverage for up to \$1.5 million per claim for workers' compensation, auto and general liability, and claims under the self-insurance risk management fund. The County also has purchased outside excess coverage for up to \$15 million in the aggregate. Negligence claims in excess of the statutory limits set forth in Section 768.28, Florida Statutes, which provide for limited sovereign immunity of \$100,000/\$200,000 per occurrence can only be recovered through an act of the State Legislature. There have been no significant reductions in insurance coverage in the last year. Settled claims have not exceeded commercial coverage in the last three years.

The Sheriff is self-insured for medical and dental claims covering all employees and their eligible dependents. As required by Section 112.081, Florida Statutes, retirees and their eligible dependents are provided the same health care coverage as is offered to active employees at the same premium cost (borne by the retiree) applicable to active employees. Excess insurance coverage has been acquired for these claims. An actuarial valuation is performed each year to estimate the amounts needed to pay prior and future claims and to establish reserves. In the current year a liability of \$3,037,799 is reported.

Changes in the Fund's claims liability for the last two years were as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
Year ended September 30:				
2012	\$ 2,644,760	\$ 34,054,587	\$ 33,446,478	\$ 3,252,869
2013	3,252,869	32,882,875	33,097,945	3,037,799

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 10 - OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The Pinellas County Sheriff's Office administers a single-employer defined benefit health care plan that covers eligible retirees and their dependents. Benefits are established by the Sheriff for the plan. The health care plan does not issue a stand-alone financial report. The liability for retiree benefits is recorded in the basic financial statements of the County.

The Sheriff's Office offers retiree coverage for members awarded retirement benefits from the Florida Retirement System. Approximately 1,207 retirees participate in group benefits. The Sheriff's Office contributes an equal funding percentage toward the medical premium for retirees hired prior to January 1, 1996, as is contributed for active members. The funding percentage ranges from 75% to 97% of the premium for medical insurance. For retirees who were hired after December 31, 1995, the Sheriff's Office provides a health insurance subsidy based on length of service. The subsidy ranges from 25% of the premium for 10 years' service and increases by 3.33% per year of service, up to 75% for 25 years. Dental, Employee Assistance Plan, and life insurance benefits are offered to retirees as well; however, the full cost of these benefits is borne by the participant.

Funding Policy: The contribution requirements of the plan members and the employers are established and may be amended by the Sheriff for the respective plans. The plans are financed on a pay-as-you-go basis. Funding for the fiscal year was as follows for the plans:

Employer contributions	\$ 9,615,020
Percentage of total premiums	75.77%
Plan member contributions	\$ 3,074,936
Percentage of total premiums	24.23%

Annual OPEB Costs and Net OPEB Obligation: The annual other postemployment benefit cost for both plans are calculated based on the annual required contributions of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 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 normal cost each year and amortize any unfunded actuarial liabilities at transition over a period not to exceed 30 years. The component of the annual OPEB cost for the current year, the total contributions and the changes in the net OPEB obligation for both plans are as follows:

Annual required contributions	\$ 34,201,618
Interest on net OPEB obligation	3,336,980
Adjustment to annual required contributions	<u>(3,667,011)</u>
Annual OPEB costs	33,871,587
Contributions made	<u>(9,615,020)</u>
Increase in net OPEB obligation	24,256,567
Net OPEB obligation, beginning of year	<u>95,342,298</u>
Net OPEB obligation, end of year	<u>\$ 119,598,865</u>

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 10 - OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The annual OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 24,512,564	19.94%	\$ 72,262,286
2012	32,369,408	28.70%	95,342,298
2013	33,871,587	28.32%	119,598,865

Funded Status and Funding Progress: As of January 1, 2012, the most recent actuarial valuation date, funded status of the plans was as follows:

Actuarial accrued liability (AAL)	\$ 454,887,566
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 454,887,566</u>
Funded ratio (actuarial value of plan assets (AAL)):	
Covered payroll	\$ 109,627,298
UAAL as a percentage of covered payroll	414.94%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funded progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: The projection of benefits for financial reporting purposes was based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows for the plan:

Actuarial valuation date	January 1, 2012
Actuarial cost method	Entry Age
Amortization method	Level percent of pay, closed
Remaining amortization period	25 years
Asset valuation method	N/A Unfunded
Actuarial assumptions:	
Investment rate of return	3.50%
Projected salary increases	8.47%
Healthcare inflation rate	8.5%

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 11 - CLAIMS AND CONTINGENCIES

Litigation: The Sheriff is involved as defendant or plaintiff in certain litigation and claims arising from the ordinary course of operations. Any judgments against the Sheriff would be settled by the Board. In the opinion of the Sheriff and legal counsel, the range of potential recoveries or liabilities will not materially affect the financial statements of the Sheriff.

Federal and State Grants: Grant funds received by the Sheriff are subject to audit by grantor agencies. Audits of these grants may result in disallowed costs, which may constitute a liability of the Sheriff. In the opinion of management, disallowed costs, if any, would not be material to the financial position of the Sheriff.

NOTE 12 - NEW PRONOUNCEMENTS IMPLEMENTED FOR THE YEAR ENDED SEPTEMBER 30, 2013

The Sheriff's office adopted GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65) for the fiscal year ending September 30, 2013.

Implementation of GASB 63 required the reclassification of Net Assets to Net Position and it also required reclassification of deferred outflows and deferred inflows into new categories called Deferred Outflows of Resources and Deferred Inflows of Resources.

As a result of implementing GASB 65, revenues previously recorded as deferred revenue in governmental funds due to timing are reported as deferred inflows of resources.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was necessary for comparative purposes regarding the accounting for certain contracts. This change resulted in a prepayment being recorded as of September 30, 2012. The restatement of fund balance was as follows:

General Fund:

Fund Balance, September 30, 2012 as previously reported	\$ 1,012,740
Restatement for:	
Prepaid Items	<u>7,411,606</u>
Restated Fund Balance, October 1, 2012	<u>\$ 8,424,346</u>

In addition, for the Statement of Net Position, net position was incorrectly reported in the prior year as Restricted for OPEB and insurance claims, although the fund was reporting a deficit net position. This was corrected for both the summarized financial information for the year ended September 30, 2012 as well as the year ended September 30, 2013. As a result of these restatements, there was no effect on income for the year ended September 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

PINELLAS COUNTY, FLORIDA SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND
Year Ended September 30, 2013

	Budget		Actual	Variance with
	Original	Final	Budgetary	final budget
			Basis	Positive
				(Negative)
Revenues				
Interest and other revenue	\$ -	\$ 336,100	\$ 336,100	\$ -
Total revenues	-	336,100	336,100	-
Expenditures				
Salaries				
Sheriff	152,418	162,549	162,549	-
Deputies and assistants	120,047,827	133,389,509	133,252,637	136,872
Employee fringe benefits	65,155,401	60,582,162	60,345,175	236,987
Operating expenditures				
Professional services	3,765,170	5,021,915	5,021,902	13
Accounting and auditing	98,710	160,705	160,702	3
Other contractual services	7,866,685	3,587,049	2,522,695	1,064,354
Investigations	246,320	323,924	323,920	4
Travel and per diem	179,460	243,166	217,806	25,360
Communication services	728,364	303,638	303,616	22
Transportation	88,380	64,764	64,355	409
Utilities	12,370	13,307	13,305	2
Rentals and leases	45,780	318,315	318,313	2
Insurance	1,882,951	1,571,120	1,571,108	12
Repairs and maintenance	1,435,920	1,949,562	1,949,546	16
Printing and binding	94,880	84,371	84,050	321
Promotional activities	219,860	374,696	297,136	77,560
Other charges and obligations	2,365,304	1,345,840	1,345,392	448
Office supplies	228,167	1,131,736	1,131,637	99
Operating supplies	7,197,668	6,129,793	6,127,953	1,840
Books, publications, and dues	110,895	84,418	83,910	508
Training	368,780	468,924	468,915	9
Capital outlay	539,100	7,487,498	7,411,140	76,358
Debt service				
Principal retirement	-	453,407	453,406	1
Total expenditures	<u>212,830,410</u>	<u>225,252,368</u>	<u>223,631,168</u>	<u>1,621,200</u>
Deficiency of revenues under expenditures	<u>(212,830,410)</u>	<u>(224,916,268)</u>	<u>(223,295,068)</u>	<u>1,621,200</u>

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND
Year Ended September 30, 2013

	Budget		Actual	Variance with
	Original	Final	Budgetary	final budget
			Basis	Positive
				(Negative)
Other financing sources (uses)				
Transfers in				
Pinellas County, Florida Board of County Commissioners appropriations	\$ 212,830,410	\$ 221,516,555	\$ 221,516,555	\$ -
Installment Loan Proceeds	-	3,399,713	3,399,713	-
Transfers out				
Distribution of excess appropriations to Pinellas				
County, Florida Board of County Commissioners	-	-	(1,621,200)	(1,621,200)
Total other financing sources (uses)	<u>212,830,410</u>	<u>224,916,268</u>	<u>223,295,068</u>	<u>(1,621,200)</u>
Deficiency of revenues and other financing sources				
under expenditures	-	-	-	-
Fund balances – beginning of year	-	-	8,424,346	8,424,346
Change in reserve for inventory and prepaids	-	-	(7,528,314)	(7,528,314)
Fund balances – end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 896,032</u>	<u>\$ 896,032</u>
Explanation of differences between budgetary inflows and outflows				
and GAAP revenues and expenditures				
Total expenditures per budget and actual (budgetary basis)			\$ 223,631,168	
Expenditures from prior period adjustment			7,411,606	
Total expenditures as reported on the Special Purpose Statement of Revenue,				
Expenditures and Changes in Fund Balances-Governmental Funds			<u>\$ 231,042,774</u>	

See accompanying note.

PINELLAS COUNTY, FLORIDA SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (BUDGETARY BASIS) – COMMISSARY FUND
Year Ended September 30, 2013

	Budget		Actual	Variance with
	Original	Final	Budgetary	final budget
			Basis	Positive
				(Negative)
Revenues				
Merchandise sales	\$ 531,000	\$ 531,000	\$ 551,056	\$ 20,056
Inmate phones	1,876,339	2,073,339	1,748,543	(324,796)
Interest and other revenue	3,850	3,850	8,741	4,891
Total revenues	<u>2,411,189</u>	<u>2,608,189</u>	<u>2,308,340</u>	<u>(299,849)</u>
Expenditures				
Salaries				
Deputies and assistants	1,460,514	1,440,774	1,440,346	428
Employee fringe benefits	544,375	564,115	549,453	14,662
Operating expenditures				
Professional services	25,500	25,500	19,855	5,645
Other contractual services	50,000	50,000	45,000	5,000
Travel and per diem	300	520	516	4
Communication services	1,200	198,200	169,759	28,441
Transportation	250	250	-	250
Rentals and leases	1,464	1,464	-	1,464
Insurance	430	430	153	277
Repairs and maintenance	20,000	20,000	11,535	8,465
Printing and binding	12,500	12,420	5,832	6,588
Other charges and obligations	97,050	97,050	95,717	1,333
Office supplies	25,105	25,105	19,591	5,514
Operating supplies	115,150	115,230	82,788	32,442
Books, publications, and dues	34,971	34,971	32,867	2,104
Training	2,000	1,780	1,033	747
Capital outlay	20,380	20,380	-	20,380
Total expenditures	<u>2,411,189</u>	<u>2,608,189</u>	<u>2,474,445</u>	<u>133,744</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(166,105)	(166,105)
Fund balances – beginning of year	-	-	802,561	802,561
Fund balances – end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,456</u>	<u>\$ 636,456</u>

See accompanying note.

PINELLAS COUNTY, FLORIDA SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET
AND ACTUAL (BUDGETARY BASIS) – FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES
Year Ended September 30, 2013

	Budget		Actual	Variance with
	Original	Final	Budgetary	final budget
			Basis	Positive
				(Negative)
Revenues				
Program revenue	\$ 18,372,425	\$ 18,372,425	\$ 10,221,000	\$ (8,151,425)
Total revenues	<u>18,372,425</u>	<u>18,372,425</u>	<u>10,221,000</u>	<u>(8,151,425)</u>
Expenditures				
Salaries				
Deputies and assistants	13,357,824	12,786,035	6,674,652	6,111,383
Employee fringe benefits	3,029,694	3,621,753	2,403,802	1,217,951
Operating expenditures				
Professional services	16,991	18,129	8,744	9,385
Other contractual services	113,281	123,523	65,844	57,679
Travel and per diem	40,702	48,707	29,425	19,282
Communication services	184,760	195,080	107,675	87,405
Transportation	68	56	31	25
Rentals and leases	759,849	820,837	431,038	389,799
Insurance	426	540	215	325
Repairs and maintenance	104,804	72,337	46,657	25,680
Printing and binding	8,430	7,889	5,624	2,265
Public advertising	170	163	78	85
Other charges and obligations	4,852	2,055	1,258	797
Office supplies	88,951	133,181	74,816	58,365
Operating supplies	344,854	378,022	209,094	168,928
Books, publications, and dues	480	430	189	241
Training	4,496	4,225	2,395	1,830
Capital outlay	311,793	159,463	159,463	-
Total expenditures	<u>18,372,425</u>	<u>18,372,425</u>	<u>10,221,000</u>	<u>8,151,425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances – beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances – end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note.

PINELLAS COUNTY, FLORIDA SHERIFF
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (BUDGETARY BASIS) – SECONDARY EMPLOYMENT FUND
Year Ended September 30, 2013

	Budget		Actual	Variance with
	Original	Final	Budgetary Basis	final budget
				Positive
				(Negative)
Revenues				
Charges for services	\$ 1,716,000	\$ 1,716,000	\$ 1,659,368	\$ (56,632)
Interest and other revenue	1,040	1,040	720	(320)
Total revenues	<u>1,717,040</u>	<u>1,717,040</u>	<u>1,660,088</u>	<u>(56,952)</u>
Expenditures				
Salaries				
Deputies and assistants	1,525,307	1,521,527	1,581,986	(60,459)
Employee fringe benefits	176,413	183,978	183,972	6
Operating expenditures				
Printing and binding	120	10	10	-
Other charges and obligations	14,000	8,015	8,012	3
Office supplies	500	495	492	3
Operating supplies	700	575	575	-
Capital outlay	-	2,440	2,440	-
Total expenditures	<u>1,717,040</u>	<u>1,717,040</u>	<u>1,777,487</u>	<u>(60,447)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(117,399)	117,399
Fund balances – beginning of year	<u>688,057</u>	<u>688,057</u>	<u>255,826</u>	<u>432,231</u>
Fund balances – end of year	<u>\$ 688,057</u>	<u>\$ 688,057</u>	<u>\$ 138,427</u>	<u>\$ 549,630</u>

See accompanying note.

PINELLAS COUNTY, FLORIDA SHERIFF
SCHEDULE OF FUNDING PROGRESS
Year Ended September 30, 2013

Accrued Valuation Date	Accrual Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2007	- \$	276,625,027 \$	(276,625,027)	- %	\$ 167,039,275	165.60 %
01/01/2010	-	314,745,249	(314,745,249)	-	123,636,181	254.57
01/01/2012	-	454,887,566	(454,887,566)	-	109,627,298	414.94

See accompanying note.

PINELLAS COUNTY, FLORIDA SHERIFF
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – BUDGETARY PROCESS

Florida Statutes Sections 30.49, 129.021, and 129.03 govern the preparation, adoption, and administration of the Sheriff's annual budgets. The Sheriff prepares a budget for the general fund and submits it to the Board for approval. Any subsequent amendments to the budget must be approved by the Board. Budgets are also prepared for special revenue funds. The budgets for these funds, other than the grant related special revenue funds, are approved by their respective committee boards, instead of the Board. The annual budget serves as the legal authorization for expenditures. Expenditures may not legally exceed appropriations at the fund level. Appropriations lapse at year-end. Budgetary control is maintained at the major departmental object expenditure level. Budgetary changes within major object expenditure categories are made at the discretion of the Sheriff.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable to the fiscal year, whenever legally authorized.

The Sheriff's budgets for the General Fund, the Commissary Fund, Florida Department of Children and Families Fund and Secondary Employment Fund are prepared under a budgetary basis of accounting that differs from generally accepted accounting principles (GAAP). Budget to actual comparisons for Special Revenue funds are presented for all funds with a legally adopted budget. This includes all funds with the exception of the Florida Sheriffs' Association fund which did not have a legally adopted budget at September 30, 2013.

The actual results of operations in the statement of revenues, expenditures, and changes in fund balances – budget and actual – general fund are presented on a budgetary basis. An adjustment was needed to convert the results of operations for the 2013 fiscal year from the budgetary basis of accounting to the GAAP basis to account for the prior period adjustment.

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OTHER FINANCIAL INFORMATION

PINELLAS COUNTY, FLORIDA SHERIFF
OTHER FINANCIAL INFORMATION - NONMAJOR SPECIAL REVENUE AND FIDUCIARY FUNDS
September 30, 2013

Non-major Special Revenue Funds

The non-major special revenue funds are used to account for the proceeds of special revenue sources other than special assessments, or major capital projects that are legally restricted to specified purposes. The Sheriff has the following non-major special revenue funds:

Pinellas Police Standards Council Fund – This fund is used to account for revenues designated for screening of law enforcement applicants as a service to all law enforcement agencies within the County.

Private Civil Process Fund – This fund is used to account for revenues and expenditures associated with training and regulating of the civil processors utilized by the Sheriff.

Florida Sheriff's Task Force – This fund is used to account for activity for the Florida Sheriff's Task Force that is held by the Sheriff and to be used by the Sheriff and other law enforcement entities for law enforcement activities.

Chaplain's Fund – This fund is used to account for the receipts and disbursements of the Sheriff's Chaplain's activities.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a governmental unit as trustee or agent for individuals, private organizations, and other governmental units.

Agency Funds – To account for the receipt and subsequent activity of monies temporarily held for others. These monies include amounts held for inmates of the County jail system, surety (appearance) bonds of accused individuals, employee payroll deductions for distribution to third parties and other miscellaneous items.

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2013

	Pinellas Police Standards Council Fund	Private Civil Process Fund	Florida Sheriffs' Task Force	Chaplain's Fund	Total
Assets					
Cash and cash equivalents	\$ 240,258	\$ 415,594		\$ 85,508	\$ 741,360
Investments	-	-	-	25,549	25,549
Accounts receivable	-	-	197,961	320	198,281
Due from Pinellas County, Florida Board of County Commissioners	30,670	-	-	-	30,670
Total assets	<u>\$ 270,928</u>	<u>\$ 415,594</u>	<u>\$ 197,961</u>	<u>\$ 111,377</u>	<u>\$ 995,860</u>
Liabilities and fund balance					
Liabilities					
Accounts payable and accrued expenses	\$ 183	\$ 72	\$ -	\$ 110	\$ 365
Accrued salaries and fringe benefits	17,036	-	-	-	17,036
Due to Other Governments	-	-	197,961	-	197,961
Total liabilities	<u>17,219</u>	<u>72</u>	<u>197,961</u>	<u>110</u>	<u>215,362</u>
Fund balances, restricted	253,709	415,522	-	111,267	780,498
Total liabilities and fund balances	<u>\$ 270,928</u>	<u>\$ 415,594</u>	<u>\$ 197,961</u>	<u>\$ 111,377</u>	<u>\$ 995,860</u>

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
Year Ended September 30, 2013

	Pinellas Police Standards Council Fund	Private Civil Process Fund	Florida Sheriffs' Task Force	Chaplain's Fund	Total
Revenues					
Traffic fine revenue	\$ 199,771	\$ -	\$ -	\$ -	\$ 199,771
Charges for services	114,465	167,680	-	-	282,145
Interest and other revenue	515	970	-	-	1,485
Total revenues	<u>314,751</u>	<u>168,650</u>	<u>-</u>	<u>-</u>	<u>483,401</u>
Expenditures					
Salaries					
Deputies and assistants	208,956	26,193	-	-	235,149
Employee fringe benefits	46,734	5,124	-	-	51,858
Operating expenditures					
Professional services	4,722	-	-	-	4,722
Other contractual services	6,535	231,600	-	42,454	280,589
Investigations	-	1,248	-	-	1,248
Travel and per diem	481	-	-	-	481
Communication services	3,224	-	-	-	3,224
Transportation	7,000	-	-	-	7,000
Rentals and leases	3,981	-	-	-	3,981
Insurance	371	-	-	-	371
Repairs and maintenance	115	-	-	-	115
Printing and binding	763	3,688	-	-	4,451
Other charges and obligations	1,018	-	-	-	1,018
Office supplies	1,658	-	-	-	1,658
Operating supplies	482	32,072	-	-	32,554
Books, publications, and dues	399	-	-	-	399
Capital outlay	-	8,326	-	-	8,326
Total expenditures	<u>286,439</u>	<u>308,251</u>	<u>-</u>	<u>42,454</u>	<u>637,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,312</u>	<u>(139,601)</u>	<u>-</u>	<u>(42,454)</u>	<u>(153,743)</u>
Fund balances – beginning of year	<u>225,397</u>	<u>555,123</u>	<u>-</u>	<u>153,721</u>	<u>934,241</u>
Fund balances – end of year	<u>\$ 253,709</u>	<u>\$ 415,522</u>	<u>\$ -</u>	<u>\$ 111,267</u>	<u>\$ 780,498</u>

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – PINELLAS POLICE STANDARDS COUNCIL FUND
Year Ended September 30, 2013

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Traffic fine revenue	\$ 223,561	\$ 223,561	\$ 199,771	\$ (23,790)
Charges for services	94,400	94,400	114,465	20,065
Interest and other revenue	9,430	9,430	515	(8,915)
Total revenues	<u>327,391</u>	<u>327,391</u>	<u>314,751</u>	<u>(12,640)</u>
Expenditures				
Salaries				
Deputies and assistants	211,014	208,959	208,956	3
Employee fringe benefits	49,597	51,652	46,734	4,918
Operating expenditures				
Professional services	9,416	9,416	4,722	4,694
Other contractual services	15,450	15,450	6,535	8,915
Travel and per diem	2,060	2,060	481	1,579
Communication services	4,120	4,120	3,224	896
Transportation	6,180	7,180	7,000	180
Rentals and leases	13,385	13,385	3,981	9,404
Insurance	638	638	371	267
Repairs and maintenance	309	309	115	194
Printing and binding	1,545	1,545	763	782
Public advertising	1,030	1,030	-	1,030
Other charges and obligations	3,554	3,554	1,018	2,536
Office supplies	3,348	3,048	1,658	1,390
Operating supplies	5,075	3,175	482	2,693
Books, publications, and dues	670	1,870	399	1,471
Total expenditures	<u>327,391</u>	<u>327,391</u>	<u>286,439</u>	<u>40,952</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	28,312	(28,312)
Fund balance – beginning of year	325,280	328,280	225,397	102,883
Fund balance – end of year	<u>\$ 325,280</u>	<u>\$ 328,280</u>	<u>\$ 253,709</u>	<u>\$ 74,571</u>

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – PRIVATE CIVIL PROCESS FUND
Year Ended September 30, 2013

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 206,000	\$ 425,000	\$ 167,680	\$ (257,320)
Interest and other revenue	13,000	13,000	970	(12,030)
Total revenues	<u>219,000</u>	<u>438,000</u>	<u>168,650</u>	<u>(269,350)</u>
Expenditures				
Salaries				
Deputies and assistants	44,600	44,600	26,193	18,407
Employee fringe benefits	6,680	5,130	5,124	6
Operating expenditures:				
Other contractual services	-	231,600	231,600	-
Investigations	160,020	111,490	1,248	110,242
Printing and binding	4,800	4,600	3,688	912
Operating supplies	2,900	32,250	32,072	178
Capital outlay	-	8,330	8,326	4
Total expenditures	<u>219,000</u>	<u>438,000</u>	<u>308,251</u>	<u>129,749</u>
Excess of revenues over expenditures	-	-	(139,601)	139,601
Fund balance – beginning of year	<u>278,388</u>	<u>278,388</u>	<u>555,123</u>	<u>(276,735)</u>
Fund balance – end of year	<u>\$ 278,388</u>	<u>\$ 278,388</u>	<u>\$ 415,522</u>	<u>\$ (137,134)</u>

PINELLAS COUNTY, FLORIDA SHERIFF
SPECIAL-PURPOSE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – CHAPLAIN'S FUND
Year Ended September 30, 2013

	Budget		Actual	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Operating expenditures	-	-	42,454	42,454
Operating supplies	-	-	42,454	42,454
Total expenditures	-	-	42,454	42,454
Excess of revenues over expenditures	-	-	(42,454)	42,454
Fund balance – beginning of year	63,691	63,691	153,721	(90,030)
Fund balance – end of year	<u>\$ 63,691</u>	<u>\$ 63,691</u>	<u>\$ 111,267</u>	<u>\$ (47,576)</u>

PINELLAS COUNTY, FLORIDA SHERIFF
COMBINING SPECIAL PURPOSE BALANCE SHEET – AGENCY FUNDS
September 30, 2013

	Individual <u>Depositor</u>	Inmate <u>Trust</u>	Payroll <u>Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 294,718	\$ 137,555	\$ 1,881,476	\$ 2,313,749
Accounts receivable	-	-	222	222
Total assets	<u>\$ 294,718</u>	<u>\$ 137,555</u>	<u>\$ 1,881,698</u>	<u>\$ 2,313,971</u>
Liabilities				
Accounts payable and accrued expenses	\$ -	\$ -	\$ 4,722	\$ 4,722
Due to other governments	-	-	1,876,976	1,876,976
Unclaimed funds and other deposits	294,718	-	-	294,718
Individual deposits	-	137,555	-	137,555
Total liabilities	<u>\$ 294,718</u>	<u>\$ 137,555</u>	<u>\$ 1,881,698</u>	<u>\$ 2,313,971</u>

PINELLAS COUNTY, FLORIDA SHERIFF
COMBINING SPECIAL PURPOSE STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUNDS
Year Ended September 30, 2013

	October 1, 2012	Additions	Deductions	September 30, 2013
Individual Depositor Fund				
Assets				
Cash and cash equivalents	\$ 358,646	\$ 895,342	\$ 959,270	\$ 294,718
Due from Pinellas County, Florida Board of County Commissioners	-	849	849	-
Total assets	<u>\$ 358,646</u>	<u>\$ 896,191</u>	<u>\$ 960,119</u>	<u>\$ 294,718</u>
Liabilities				
Accounts payable and accrued expenses	\$ -	\$ 961,059	\$ 961,059	\$ -
Due to Pinellas County, Florida Board of County Commissioners	-	594,354	594,354	-
Due to Pinellas County, Florida Clerk of the Circuit Court	-	458	458	-
Due to other governments	-	197	197	-
Unclaimed funds and other deposits	358,646	316,429	380,357	294,718
Total liabilities	<u>\$ 358,646</u>	<u>\$ 1,872,497</u>	<u>\$ 1,936,425</u>	<u>\$ 294,718</u>
Inmate Trust Fund				
Assets				
Cash and cash equivalents	\$ 165,814	\$ 5,643,497	\$ 5,671,756	\$ 137,555
Total assets	<u>\$ 165,814</u>	<u>\$ 5,643,497</u>	<u>\$ 5,671,756</u>	<u>\$ 137,555</u>
Liabilities				
Individual deposits	\$ 165,814	\$ 5,643,497	\$ 5,671,756	\$ 137,555
Total liabilities	<u>\$ 165,814</u>	<u>\$ 5,643,497</u>	<u>\$ 5,671,756</u>	<u>\$ 137,555</u>

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
COMBINING SPECIAL PURPOSE STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – AGENCY FUNDS
Year Ended September 30, 2013

	October 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2013</u>
Payroll Fund				
Assets				
Cash and cash equivalents	\$ 289	\$ 106,735,577	\$ 104,854,390	\$ 1,881,476
Accounts receivable	-	222	-	222
Total assets	<u>\$ 289</u>	<u>\$ 106,735,799</u>	<u>\$ 104,854,390</u>	<u>\$ 1,881,698</u>
Liabilities				
Accounts payable	\$ 289	\$ 168,411,963	\$ 168,407,530	\$ 4,722
Due to other governments	-	40,805,232	38,928,256	1,876,976
Total liabilities	<u>\$ 289</u>	<u>\$ 209,217,195</u>	<u>\$ 207,335,786</u>	<u>\$ 1,881,698</u>
Total – All Agency Funds				
Assets				
Cash and cash equivalents	\$ 524,749	\$ 113,274,416	\$ 111,485,416	\$ 2,313,749
Accounts receivable	-	222	-	222
Due from Pinellas County, Florida Board of County Commissioners	-	849	849	-
Total assets	<u>\$ 524,749</u>	<u>\$ 113,275,487</u>	<u>\$ 111,486,265</u>	<u>\$ 2,313,971</u>
Liabilities				
Accounts payable and accrued expenses	\$ 289	\$ 169,373,022	\$ 169,368,589	\$ 4,722
Due to Pinellas County, Florida Board of County Commissioners	-	594,354	594,354	-
Due to Pinellas County, Florida Clerk of the Circuit Court	-	458	458	-
Due to other governments	-	40,805,429	38,928,453	1,876,976
Individual deposits	165,814	5,643,497	5,671,756	137,555
Unclaimed funds and other deposits	358,646	316,429	380,357	294,718
Total liabilities	<u>\$ 524,749</u>	<u>\$ 216,733,189</u>	<u>\$ 214,943,967</u>	<u>\$ 2,313,971</u>

**INDEPENDENT AUDITOR'S 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**

Sheriff Bob Gualtieri
Pinellas County, Florida Sheriff
Clearwater, Florida

We have audited, in accordance with the 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, the special-purpose financial statements of each major fund and the aggregate remaining fund information of the Pinellas County, Florida Sheriff (the "Sheriff"), as of and for the year ended September 30, 2013, and the related notes to the special-purpose financial statements, which collectively comprise the Sheriff's special-purpose financial statements, and have issued our report thereon dated February 12, 2014. As discussed in Note 1, the special-purpose financial statements were prepared for the purpose of complying with the financial reporting provisions of Section 218.39, *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General*, and are not intended to be a complete presentation of the financial position of the Sheriff as of September 30, 2013, and the changes in financial position thereof 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*, as amended. Additionally, as discussed in Note 1, the special-purpose financial statements present only the Sheriff and do not purport to, and do not, present fairly the financial position of Pinellas County, Florida as of September 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements, we considered the Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

(Continued)

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 Sheriff's special-purpose financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's special-purpose financial statements are free from 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*.

The Sheriff's Response to Findings

The Sheriff's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Sheriff's response was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Tampa, Florida
February 12, 2014

PINELLAS COUNTY, FLORIDA SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
Year ended September 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	No
Noncompliance material to financial statements noted	None

SECTION II - CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Material Weaknesses

Finding No. 2013-1 – Financial Statement Reporting

Criteria: Prepaid items need to be recorded in accordance with accounting principles generally accepted in the United States of America. In addition, there should be segregation of duties over manual journal entries to ensure that adjustments posted to the general ledger are for proper business purposes and correctly computed.

Condition: A previous Sheriff elected to record expenditures for several annual service contracts in advance (i.e. a prepaid item). Specifically, the contracts in question deal with the Sheriff's phone services, food services, and prisoner transport. During this prior year, the previous Sheriff paid for the annual contract but also paid for the next year's services in the same year. This was not the correct accounting treatment in the prior years as the expenditures for the next year's contract should have been recorded as a prepaid item on the Sheriff's financial statements in that year. The Sheriff uses the consumption method for accounting for prepaid items, meaning the expenditures are to be recorded proportionately over the period benefited rather than when the payment was made to the vendor. As the previous Sheriff had recorded expenditures for two periods incorrectly with no corresponding prepaid item on the financial statements, the Sheriff had incorrectly recognized too much expenditure in the prior year and the problem had not been corrected. Thus, through the year ended September 30, 2012 (FY12), the Sheriff's financial statements had understated assets as the prepaid items were not correctly recognized. For the year ended September 30, 2013 (FY13), the Sheriff attempted to correct the problem by not recognizing the appropriate expenditures for the contracts. The Sheriff elected to change the payment process for these contracts during FY13 and thus no prepaid items were required to be presented for FY13.

In addition, two manual journal entries were posted to the general ledger system that did not have documented approval by a member of management other than the preparer of the adjustment. However, the entries in question were noted to be of proper business purpose and were appropriately supported with documentation.

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
Year ended September 30, 2013

SECTION II - CURRENT YEAR FINDINGS AND RECOMMENDATIONS (Continued)

Material Weaknesses

Finding No. 2013-1 – Financial Statement Reporting

Effect: As a result, expenditures for the contracts that should have been shown as prepaid items for FY12 were not recognized in FY13, thus expenditures for FY13 were understated. Prepaid items were understated by approximately \$7.4 million for FY12 and expenditures were understated by the same amount for FY13.

The failure of the controls over manual journal entries increases the risk of incorrect or improper financial statement reporting.

Cause: The prepaid items were incorrectly recorded in prior years. Management identified the situation in FY13 and believed that this was the correct presentation for this transaction.

The failure of approval controls appears to be an error by management in executing the standing control procedures established in prior years.

Recommendation: Management has already corrected the situation regarding the prepayment of contracts. Management should take steps to ensure that all contractual data is reviewed to ensure the appropriate presentation on the financial statements. In addition, management should reinforce its established controls over journal entries to ensure that the control functions properly.

Management's Response: As stated in the recommendation the prepaid situation has been corrected. We are working with our accounting software to implement a workflow for manual journal entries. In the mean time we have reiterated to staff the need for approval of all manual journal entries.

(Continued)

PINELLAS COUNTY, FLORIDA SHERIFF
SCHEDULE OF FINDINGS AND RESPONSES
Year ended September 30, 2013

SECTION III- PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None reported for the year ended September 30, 2013.



Sheriff Bob Gualtieri
Pinellas County, Florida Sheriff
Clearwater, Florida

We have audited the special-purpose financial statements of each major fund and the aggregate remaining fund information of the Pinellas County, Florida Sheriff (Sheriff) as of and for the year ended September 30, 2013, and have issued our report thereon dated February 12, 2014. We draw attention to Note 1 of the special-purpose financial statements, which describes the basis of accounting. As described in Note 1, the special-purpose financial statements are prepared by the Sheriff on the basis of the financial reporting provisions of Section 218.39, *Florida Statutes*, and Chapter 10.557(3), *Rules of the Auditor General for Local Governmental Entity Audits*, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Florida.

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 Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated February 12, 2014, 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 auditor's 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 findings and recommendations made in the preceding annual financial audit report. In connection with the audit performed by other auditors, we did not have any such findings.
- 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, nothing came to our attention that caused us to believe that the Sheriff failed to comply with Section 218.415, *Florida Statutes*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Sheriff noncompliance with Section 218.415, *Florida Statutes*, insofar as they relate to accounting matters.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, please see the section below of current year recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

(Continued)

- Section 10.554(1)(i)5., *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 Sheriff was established by the Constitution of the State of Florida, Article VIII, Section 1(d). The Sheriff did not include any component units.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Deficiencies

Finding No. 2013-2 - Information Systems Controls

Criteria: Information systems controls should reasonably assure that electronic information is not compromised by unauthorized access to systems and that access is granted only as needed for individuals within the entity to perform their assigned responsibilities while maintaining adequate segregation of duties.

Condition: We noted certain matters relating to information systems controls. Specifically:

- Management has implemented an appropriate schedule for daily differential and weekly full backups; however, tapes are taken offsite weekly, which increases the risk loss of up to one week's worth of data should there be a disaster at the data center.
- Management has not implemented a procedure to review application, database or operating systems security logs for the HTE and Harris Innoprise applications in order to receive timely notification of unauthorized or inappropriate activity.
- During our review of physical access to the computer room housing the application and data for financially significant applications, we noted that there are 237 employees with physical access to the server room increasing the risk of unauthorized or inappropriate activity. Access is not assigned based on job responsibilities.
- Management has not defined an incident response process to support the timely response and investigation of unauthorized activities.
- Management assigns user roles within financially significant applications (HTE and Harris Innoprise) that define the tasks that can be performed; however, management has not developed or implemented a procedure to periodically review the access granted in order to ensure appropriate segregation of duties and to ensure that each user's access remains commensurate with his or her job responsibilities.

Cause: Deficiencies in control design and implementation

Effect: The Sheriff is exposed to various risks, including financial reporting risks and general business risks, as a result of certain deficiencies in information systems controls.

(Continued)

Recommendation: We recommend that management act upon the following recommendations:

- Management should perform backups daily. Also, management should implement a formal process (schedule) to test backups so that backups can be used to ensure that data restores correctly.
- We recommend that management identify and classify sensitive application, database and operating systems activity based on risk and implement proactive monitoring controls over identified activities considered to be moderate to high risk.
- We recommend that management restrict access to the server room to only those employees who require it for the performance of job responsibilities.
- We recommend that management document an incident response program that includes predetermined actions to be taken for all incidents including computer security and information security incidents.
- In order to reduce the risk of unauthorized access and to ensure that existing user identifications have access rights appropriate for their respective job functions, we recommend that management perform and document user access level reviews at least on an annual basis for each financially significant application. These reviews should be performed by an independent individual who does not have the ability to grant users access rights.

**Management's
Response:**

- The Pinellas County Sheriff's Office (PCSO) information technology team acknowledges the need for a better recovery point objective (RPO) as it relates to tape backups being stored off-site. PCSO Information Technology (IT) resources will work with various departments to establish documented criteria for acceptable RPOs and periodic restoration testing. PCSO intends to contract with Iron Mountain for offsite tape vaulting services. This service, coupled with an already in-place offsite tape storage process between PCSO work sites, will ensure a more acceptable RPO.
- PCSO recognizes the need to review database and operating system security logs for the HTE and Harris Innoprise applications. We will put processes in place to identify and classify sensitive application, database, and operating systems activity by utilizing the system administrator(s) and security officer to review associated log files periodically.
- PCSO will develop a policy restricting access to the server room to only those employees who require access for the performance of job responsibilities. Additionally, PCSO will periodically review access logs and couple this review with notice of separations and personnel action forms ensuring that, as employee's job responsibilities change throughout the agency, their level of access is commensurate with their position.
- PCSO has established a Computer Incident Response Team (CIRT) to address security events and incidents. The PCSO CIRT is drafting documentation for repeatable Preparation, Detection, Containment, Remediation, Resolution, and Closure procedures that align with the audit recommendation.
- IT has developed controls for knowledgeable Bureau managers to review HTE and Harris Innoprise software user access levels periodically and on demand. The IT security officer will assist the Fiscal department with periodic review of user access levels, document the review and take appropriate action to adjust access as appropriate.

(Continued)

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550 *Rules of the Auditor General*. Accordingly, this management letter is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Tampa, Florida
February 12, 2014