

SANTA ROSA COUNTY, FLORIDA PROPERTY APPRAISER

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

SANTA ROSA COUNTY, FLORIDA PROPERTY APPRAISER

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Gregory S. Brown
Property Appraiser
Santa Rosa County, Florida

We have audited the accompanying financial statements of the general fund of the Office of the Property Appraiser of Santa Rosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the year ended September 30, 2005, as listed in the table of contents. The financial statements are the responsibility of the Property Appraiser's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property Appraiser's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Property Appraiser, as of September 30, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2005 on our consideration of the Property Appraiser's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on page 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

O'Sullivan Creel, LLP

November 23, 2005

**Santa Rosa County, Florida Property Appraiser
BALANCE SHEET - GENERAL FUND
September 30, 2005**

ASSETS

| | |
|--------------|-------------------|
| Cash | \$ 321,718 |
| Total assets | <u>\$ 321,718</u> |

LIABILITIES

| | |
|--------------------------------------|---------------|
| Accounts Payable | \$ 39,178 |
| Due to Board of County Commissioners | 268,927 |
| Salaries and wages | <u>13,613</u> |
| Total liabilities | 321,718 |

FUND BALANCE

| | |
|------------------------------------|-------------------|
| Fund balance: | |
| Unreserved | <u> --</u> |
| Total fund balance | -- |
| | |
| Total liabilities and fund balance | <u>\$ 321,718</u> |

**Santa Rosa County, Florida Property Appraiser
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GENERAL FUND
For the year ended September 30, 2005**

| | |
|---|---------------------|
| REVENUES | |
| Charges for services | \$ 26,643 |
| Miscellaneous | 10,813 |
| Total revenues | <u>37,456</u> |
| EXPENDITURES | |
| Current: | |
| Personal services | 1,892,021 |
| Operating expenditures | 542,107 |
| Capital outlay | 42,433 |
| Total expenditures | <u>2,476,561</u> |
| Excess (deficiency) of revenues over expenditures | (2,439,105) |
| OTHER FINANCING SOURCES (USES) | |
| Board of County Commissioners appropriation | 2,708,032 |
| Board of County Commissioners excess fees | (268,927) |
| Total other financing sources (uses) | <u>2,439,105</u> |
| Net change in fund balance | -- |
| FUND BALANCE, BEGINNING OF YEAR | <u>--</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ --</u></u> |

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

Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Reporting Entity

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

These *special purpose financial statements* of the Property Appraiser are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(4), Rules of the Auditor General State of Florida the special purpose financial statements consist of only the *fund level* financial statements as defined in GASB 34, and do not include presentations of *government-wide* financial statements of the Property Appraiser.

2. Fund Accounting

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

The General Fund of the Property Appraiser is used to account for all financial resources which are generated from operations of the office, appropriations from the Board of County Commissioners, or any other resources not required to be accounted for in another fund. This fund utilizes a modified accrual basis of accounting. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources rather than upon net income determination).

Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

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

3. Basis of Accounting

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

4. Accounting for Capital Assets

Capital assets (vehicles, equipment and other tangible property costing at least \$1,000 with a useful life of more than one year) are recorded as expenditures at the time of purchase. These assets are capitalized at cost and accounted for in the Board of County Commissioners' government-wide financial statements.

5. Budget and Budgetary Accounting

The Property Appraiser operates under budget procedures pursuant to Section 195.087, Florida Statutes. As permitted by Section 195.087 certain revenues and expenditures related to copy fees, sale of maps, and other charges for services are not subject to budget procedures. The legal level of budgetary control is at the fund level.

6. Compensated Absences

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

**Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

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

7. Excess Revenue

In accordance with Section 218.36(2), Florida Statutes, excess revenue is remitted to the Board of County Commissioners at fiscal year-end. Excess revenue due to the Board of County Commissioners at September 30, 2005, is reported as due to other governmental units.

NOTE B - CASH

At September 30, 2005, the bank reported deposits before outstanding checks of \$388,885 all of which were held by a financial institution designated as “a qualified public depository” by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

NOTE C - LONG-TERM DEBT - COMPENSATED ABSENCES

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

| | Balance October 1, 2004 | <u>Additions</u> | <u>Reductions</u> | Balance September 30, 2005 |
|----------------------|-------------------------------|------------------|-------------------|----------------------------------|
| Compensated absences | \$ 246,751 | \$ 150,933 | \$ 111,416 | \$ 286,268 |

Compensated absences are budgeted annually and paid from the General Fund.

NOTE D - RETIREMENT PLAN

Participation - Employees participate in the Florida Retirement System (FRS), a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is compulsory for full-time and part-time employees working in regularly established positions. Elected officials may elect not to participate in the system.

Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE D - RETIREMENT PLAN -- (Continued)

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2005, the Property Appraiser contributed an average of 7.50% of each qualified regular employee's gross salary, 9.17% of each DROP participant's salary, 9.64% of each senior manager's salary, and 15.23% of the elected official's salary. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled, \$116,211, \$112,250, and \$86,003, for the years ended September 30, 2005, 2004, and 2003, respectively.

Benefit Provisions - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Financial Report of the Plan - The FRS issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

Santa Rosa County, Florida Property Appraiser
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE E - RISK MANAGEMENT

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

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

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

- Portable Communication Equipment
- Boats
- Employee Fidelity
- General Liability, \$100,000 deductible
- Public Officials' Liability, \$100,000 deductible

Conventional insurance remains in effect for buildings and their contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County is a member of the Florida Association of Counties Trust, a pooled liability program providing general liability coverage and public official's liability coverage. The Property Appraiser participates in this program and makes payments to the Self-Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

REQUIRED SUPPLEMENTARY INFORMATION

**Santa Rosa County, Florida Property Appraiser
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP) BASIS
AND ACTUAL GENERAL FUND - (Unaudited)
For the year ended September 30, 2005**

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|--------------------|-----------------|-------------|------------------------------------|
| REVENUES | | | | |
| Charges for services | \$ -- | \$ -- | \$ 435 | \$ 435 |
| Miscellaneous | -- | -- | 10,813 | 10,813 |
| Total revenues | -- | -- | 11,248 | 11,248 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Personal services | 1,972,428 | 2,023,142 | 1,892,021 | 131,121 |
| Operating expenditures | 572,593 | 572,593 | 515,899 | 56,694 |
| Capital outlay | 23,500 | 45,000 | 42,433 | 2,567 |
| Non-operating | 55,000 | 33,500 | -- | 33,500 |
| Total expenditures | 2,623,521 | 2,674,235 | 2,450,353 | 223,882 |
| Excess (deficiency) of revenues over expenditures | (2,623,521) | (2,674,235) | (2,439,105) | 235,130 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Board of County Commissioners appropriation | 2,623,521 | 2,674,235 | 2,708,032 | 33,797 |
| Board of County Commissioners excess fees | -- | -- | (268,927) | (268,927) |
| Total other financing sources (uses) | 2,623,521 | 2,674,235 | 2,439,105 | (235,130) |
| Net change in fund balance | -- | -- | -- | -- |
| FUND BALANCE, BUDGETARY BASIS, BEGINNING OF YEAR | -- | -- | -- | -- |
| FUND BALANCE, BUDGETARY BASIS, END OF YEAR | \$ -- | \$ -- | -- | \$ -- |
| Adjustment for revenues not budgeted | | | 26,208 | |
| Adjustment for expenditures allowed under Florida Statute 195.087 | | | (26,208) | |
| FUND BALANCE - GAAP BASIS, END OF YEAR | | | \$ -- | |

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

Honorable Gregory S. Brown
Property Appraiser
Santa Rosa County, Florida

We have audited the financial statements of the general fund of the Office of the Property Appraiser of Santa Rosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the year ended September 30, 2005, and have issued our report thereon dated November 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Property Appraiser's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Property Appraiser in a separate letter dated November 23, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property Appraiser's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated November 23, 2005, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Property Appraiser and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

November 23, 2005

MANAGEMENT LETTER

Honorable Gregory S. Brown
Property Appraiser
Santa Rosa County, Florida

We have audited the financial statements of the general fund of the Office of the Property Appraiser of Santa Rosa County, Florida (hereinafter referred to as "Property Appraiser"), as of and for the year ended September 30, 2005, and have issued our report thereon dated November 23, 2005.

We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* dated November 23, 2005. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554 (1) (h) 1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit. The recommendations made in the preceding annual financial audit report have been satisfactorily implemented.

As required by the Rules of the Auditor General (Section 10.554 (1) (h) 2.), we determined that the Property Appraiser is in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

The Rules of the Auditor General (Section 10.554 (1) (h) 3.) require that we comment as to whether or not there were any recommendations made to improve the Property Appraiser's financial management, accounting procedures, and internal controls. See Attachment A for our recommendation to improve internal controls over the closing process.

The Rules of Auditor General (Sections 10.554 (1) (h) 4.) require disclosure in the management letter of the following matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following: violations of laws, rules, regulations, and contractual provisions that have occurred or were likely to have occurred and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit that may or may not materially affect the financial statements; and deficiencies in internal control that are not reportable conditions, including but not limited to: improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that came to the attention of, the auditor. Management has been made aware of limited segregation of duties in previous communications. Also, see Attachment A for our recommendation to improve internal controls over miscellaneous cash receipts.

This report is intended solely for the information and use of the Property Appraiser and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

November 23, 2005

**Santa Rosa County, Florida Property Appraiser
CURRENT YEAR RECOMMENDATIONS (Attachment A)
For the year ended September 30, 2005**

2005-1 – CLOSING PROCESS

Finding – We noted that several checks written subsequent to year-end were backdated to September 30, 2005, the effect of which was to understate both cash and accounts payable at year-end in the approximate amount of \$33,000. Accordingly, the accounts have been adjusted to reflect the correct balances in the financial statements.

Recommendation – There is no requirement that funds be expended prior to year-end for expenditures to be included in the fiscal year ending on September 30 of each year. The recording as accounts payable of any invoices for goods and services received prior to year-end accurately reflects the expenditures in the proper period. The Deputy Property Appraiser should communicate to the payroll manager, who prepares the checks, that it is not necessary to issue checks prior to year-end to record the expenditures in the fiscal year. The Deputy Property Appraiser, who typically signs checks, or any other designated check signer, should include a review of the check date in the signing process to avoid the possibility of backdated checks being issued. If any backdated checks are forwarded to the check signer they should be voided and reissued with the proper date.

**Santa Rosa County, Florida Property Appraiser
RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2005**

2005-1 – CLOSING PROCESS

The Chief Deputy Property Appraiser will communicate to the payroll manager, who prepares the checks, that it is not necessary to issue checks prior to year-end to record expenditures in the fiscal year as long as the item is properly recorded in accounts payable. The Chief Deputy Property Appraiser, who typically signs checks, or any other designated check signer, will include a review of the check date in the signing process to avoid the possibility of backdated checks being issued. If any backdated checks are forwarded to the check signer they will be voided and reissued with the proper date.