

SANTA ROSA COUNTY, FLORIDA CLERK OF COURTS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

SANTA ROSA COUNTY, FLORIDA CLERK OF COURTS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	2
FUND FINANCIAL STATEMENTS	
Balance Sheet – All Governmental Funds	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – All Governmental Funds	5
Statement of Fiduciary Net Assets – Agency Funds	6
Notes to Financial Statements	7
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) to Actual – General Fund	15
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	16
MANAGEMENT LETTER	18
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER	20



O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

316 South Baylen Street - Suite 200 - Pensacola, FL 32502

INDEPENDENT AUDITOR'S REPORT

Honorable Mary M. Johnson
Clerk of Courts
Santa Rosa County, Florida

We have audited the accompanying special-purpose financial statements of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 2003, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Clerk's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

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

As discussed in Note A to the financial statements, the Clerk's financial statements are special-purpose financial statements presenting only the financial position and results of operations of the Clerk. These special-purpose financial statements 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(5), Rules of the Auditor General State of Florida, 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 Clerk.

In our opinion, the special-purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Clerk at September 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003 on our consideration of the Clerk's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

O'Sullivan Creel, LLP

December 12, 2003

Santa Rosa County, Florida Clerk of Courts
BALANCE SHEET - ALL GOVERNMENTAL FUNDS
September 30, 2003

	General Fund	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 336,393	\$ 421,503	\$ 757,896
Due from other governmental units	3,248	-	3,248
Prepaid expenses	33,150	-	33,150
Total assets	<u>\$ 372,791</u>	<u>\$ 421,503</u>	<u>\$ 794,294</u>
LIABILITIES			
Accounts payable	\$ 38,684	\$ -	\$ 38,684
Accrued wages and salaries	146,069	-	146,069
Due to other governmental units	164,085	-	164,085
Deferred income	23,953	-	23,953
Total liabilities	<u>372,791</u>	<u>-</u>	<u>372,791</u>
FUND BALANCES			
Reserved for law library	-	33,088	33,088
Reserved for records modernization trust fund	-	388,415	388,415
Unreserved	-	-	-
Total fund balances	<u>-</u>	<u>421,503</u>	<u>421,503</u>
Total liabilities and fund balances	<u>\$ 372,791</u>	<u>\$ 421,503</u>	<u>\$ 794,294</u>

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

**Santa Rosa County, Florida Clerk of Courts
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUNDS
For the year ended September 30, 2003**

	General Fund	Other Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental	\$ 44,486	\$ -	\$ 44,486
Charges for services	2,041,016	217,571	2,258,587
Miscellaneous	10,246	-	10,246
Total revenues	<u>2,095,748</u>	<u>217,571</u>	<u>2,313,319</u>
EXPENDITURES			
Current			
General government			
Financial and administrative			
Personal services	1,619,833	-	1,619,833
Operating	667,204	-	667,204
Capital outlay	107,774	-	107,774
Judicial			
Personal services	2,047,955	-	2,047,955
Operating	320,928	26,535	347,463
Capital outlay	61,914	-	61,914
Total expenditures	<u>4,825,608</u>	<u>26,535</u>	<u>4,852,143</u>
Excess (deficiency) of revenues over expenditures	<u>(2,729,860)</u>	<u>191,036</u>	<u>(2,538,824)</u>
OTHER FINANCING SOURCES (USES)			
BOCC appropriation	2,891,445	-	2,891,445
BOCC excess fees	(161,585)		
Transfers to RMTF	(208,989)	208,989	-
Total other financing sources (uses)	<u>2,520,871</u>	<u>208,989</u>	<u>2,729,860</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(208,989)</u>	<u>400,025</u>	<u>191,036</u>
FUND BALANCES, BEGINNING OF YEAR	<u>208,989</u>	<u>21,478</u>	<u>230,467</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 421,503</u>	<u>\$ 421,503</u>

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

**Santa Rosa County, Florida Clerk of Courts
STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
For the year ended September 30, 2003**

ASSETS

Cash and cash equivalents	<u>\$ 1,212,495</u>
---------------------------	---------------------

LIABILITIES

Deposits	<u>\$ 1,212,495</u>
----------	---------------------

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2003

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

A. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", established standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations.

As concluded by the GASB, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Clerk, as established by Article VIII of the constitution of the State of Florida, is an elected official of the County. The Clerk is considered part of Santa Rosa County, Florida's primary government for purposes of GASB No. 14. These special purpose financial statements of the Clerk 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(5), Rules of the Auditor General State of Florida, the special-purpose financial statements consists of only the *fund level* financial statements as defined in GASB Statement No. 34, and do not include presentations of *government-wide* financial statements of the Clerk of Court.

B. Fund Accounting

The accounting system of the Clerk's office 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.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2003

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

B. Fund Accounting -- (Continued)

The funds utilized by the Clerk are as follows:

Governmental Funds

These funds utilize 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).

The Clerk reports the following major governmental fund:

General Fund is used to account for all financial resources that are generated from operations of the office, appropriations from the Board of County Commissioners, and any other resources not required to be accounted for in another fund.

Additionally, the Clerk reports the following non-major governmental funds:

Records Modernization Trust Fund is a special revenue fund used to account for monies collected according to Chapter 28.24, Florida Statutes, to be used exclusively for equipment, personnel training, and technical assistance in modernizing the official records system and to pay for equipment and start-up costs necessitated by a statewide recording system.

Law Library Special Revenue Fund is used to account for certain designated court fees. These monies are used to purchase books, publications, and subscriptions for the Santa Rosa County Law Library.

Fiduciary Funds

The two types of fiduciary funds are trust funds and agency funds. Of the two, the Clerk utilizes only agency funds. Agency funds are used to account for assets being held in a trustee capacity or for individuals, private organizations, and/or other governments. Assets equal liabilities in agency funds, and results of operations are not measured. The agency funds utilized are:

Court Registry - Funds are deposited pursuant to court order pending the outcome of legal action and are distributed by order of the court.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2003

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

B. Fund Accounting -- (Continued)

Documentary Stamp - The Clerk collects documentary stamps tax as an agent for the State of Florida and remits the revenue, less commission, to the Department of Revenue.

Uniform Support - The Clerk collects child support and other payments required by court order and remits to the appropriate individuals or organizations.

Intangible Tax - The Clerk collects intangible tax and remits to the Department of Revenue.

Tax Redemption - The Clerk collects tax deed application fees and tax deed bids and makes distributions on payments as appropriate.

Juror and Witness - State funding for payment of juror and witness fees is held in this fund. The balance is returned to the State at the end of each judicial quarter.

Fine and Cost - Traffic and other fines are collected by the Clerk and remitted to the various governmental agencies.

Suspense - The Clerk collects fees for marriage licenses, spousal abuse and restitution. Also, the Clerk collects money for the State co-educational trust fund and attorney's fees. Distributions on payments and remittances are made as appropriate to the various agencies or individuals.

Bail Bonds - The Clerk holds cash bonds collected by the Jail pending appearance of individuals before the court. Such bonds are ultimately disbursed pursuant to order of the court.

C. 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 measurement made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available as net current assets. The Clerk 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. Agency funds use the accrual basis of accounting.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2003

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

D. Cash and Investments

The Clerk's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value in accordance with GASB Statement No. 31.

Pursuant to Florida Statutes Section 218.415, the Clerk's investment policy outlines the Clerk's investment responsibilities, objectives, and policies. The Clerk's investment policy authorizes the Clerk to invest in the following:

- a. The Local Government Surplus Funds Trust Fund (SBA) (State Pool);
- b. Florida Counties Investment Trust (FCIT) (State Investment Trust);
- c. Qualified money market mutual funds;
- d. U.S. Treasury bills, notes and bonds;
- e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA);
- f. Non-callable Government Agency securities with stated maturities that fall within parameters put forth by the investment policy, including the following:
 - (i) Federal Farm Credit Bank (FFCB),
 - (ii) Federal Home Loan Mortgage Corporation (FHLMC),
 - (iii) Federal Home Loan Bank (FHLB),
 - (iv) Federal National Mortgage Association (FNMA).This classification of government agency securities does not include any mortgage debt of any government agency;
- g. Time deposits and savings accounts in banks or savings and loan associations doing business in Florida;
- h. Tax-exempt obligations of the State of Florida and its various local governments;
- i. Repurchase agreements for investments authorized in categories d, e, or f above.

E. Accounting for Capital Assets

Capital assets (vehicles, equipment and other tangible property costing at least \$750 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 are accounted for in the Board of County Commissioners' government-wide statement of net assets.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2003

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

F. Budgets and Budgetary Accounting

The Clerk establishes an annual budget for the general fund and the records modernization trust fund pursuant to Section 218.35, Florida Statutes. The budget is submitted to the Board of County Commissioners (BOCC) and is incorporated into the overall County budget. The Clerk's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

G. Documentary Stamps

Documentary stamps are issued by the Clerk as an agent for the State of Florida. The stamps are recorded and sold at cost.

H. Compensated Absences

It is the policy of the Clerk to permit employees to accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid to employees 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, there is no requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16.

I. Excess Revenue

In accordance with Section 218.36(2), Florida Statutes, excess revenue of the General Fund is remitted to the Board of County Commissioners at fiscal year end. Excess revenue due to the Board of County Commissioners at September 30, 2003 is reported as due to other governmental units.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2003

NOTE B - CASH AND INVESTMENTS

At September 30, 2003, the banks reported deposits before outstanding checks of \$3,161,094, all of which were held by financial institutions designated as "qualified public depositories" by the State Treasurer. All deposits were fully insured through a combination of federal depository insurance and participation of the financial institutions in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes.

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, 2002	\$ 576,779
Net change	<u>(17,865)</u>
Balance - September 30, 2003	<u>\$ 558,914</u>

Compensated absences are paid from the General Fund.

NOTE D - INTERFUND BALANCES

Interfund balances primarily relate to the payment of commissions (generally based upon statutory rates) earned by the Clerk for processing and handling various transactions occurring in the Agency Funds. These interfund balances are typically liquidated on a monthly basis.

NOTE E - INTERFUND TRANSFERS

In prior years the records modernization trust fund monies were held and accounted for in the General Fund. During 2003, assets held for this purpose were transferred into a newly created Records Modernization Trust Fund (special revenue fund).

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2003

NOTE F - RETIREMENT PLAN

Participation - Employees of the Clerk participate in the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan, established by Chapter 121, Florida Statutes, and administered by the Florida Department of Administration, Division of Retirement. Changes to the FRS can be made only by an act to the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. 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.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During fiscal year 2003, the Clerk contributed an average of 6.17% of each qualified regular employee's gross salary, 12.70% of the elected official's salary, and 9.11% for each DROP participant. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$181,519, \$192,810, and \$188,515, for the years ended September 30, 2003, 2002, and 2001, 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 Florida Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

Santa Rosa County, Florida Clerk of Courts
NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2003

NOTE G - RISK MANAGEMENT

The Clerk 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 maintains 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
- Construction and Road Equipment
- Auto Physical Damage
- Auto Liability

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

- Portable Communication Equipment
- Boats
- General Liability, \$100,000 deductible
- Employee Fidelity
- 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 Clerk participates in the program and makes payments to the Self-Insurance Fund based on historical estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

NOTE H - CLAIMS AND CONTINGENCIES

The Clerk is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of management, based on the advice of legal counsel, there are no lawsuits or claims outstanding which will have a material adverse effect on the financial position of the Clerk's Office.

REQUIRED SUPPLEMENTARY INFORMATION

Santa Rosa County, Florida Clerk of Courts
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND
BUDGET(GAAP BASIS) TO ACTUAL
For the year ended September 30, 2003

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Intergovernmental	\$ 58,600	\$ 44,486	\$ 44,486	\$ -
Charges for services	1,663,021	2,041,034	2,041,016	(18)
Miscellaneous	14,852	10,247	10,246	(1)
Total revenues	<u>1,736,473</u>	<u>2,095,767</u>	<u>2,095,748</u>	<u>(19)</u>
EXPENDITURES				
Current				
General government				
Financial and administrative				
Personal services	1,682,002	1,619,848	1,619,833	15
Operating	505,469	667,231	667,204	27
Capital outlay	61,800	107,776	107,774	2
Judicial				
Personal services	2,106,446	2,047,971	2,047,955	16
Operating	273,350	320,958	320,928	30
Capital outlay	33,300	61,915	61,914	1
Reserve for contingencies	1,000	57,199	-	57,199
Total expenditures	<u>4,663,367</u>	<u>4,882,898</u>	<u>4,825,608</u>	<u>57,290</u>
Excess (deficiency) of revenues over expenditures	<u>(2,926,894)</u>	<u>(2,787,131)</u>	<u>(2,729,860)</u>	<u>57,271</u>
OTHER FINANCING SOURCES (USES)				
BOCC appropriation	2,882,187	2,891,445	2,891,445	-
BOCC excess fees	-	(104,314)	(161,585)	(57,271)
Transfers to RMTF	(208,989)	(208,989)	(208,989)	-
Total other financing sources (uses)	<u>2,673,198</u>	<u>2,578,142</u>	<u>2,520,871</u>	<u>(57,271)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>(253,696)</u>	<u>(208,989)</u>	<u>(208,989)</u>	<u>-</u>
FUND BALANCES, BEGINNING OF YEAR	<u>208,989</u>	<u>208,989</u>	<u>208,989</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ (44,707)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

316 South Baylen Street - Suite 200 - Pensacola, FL 32502

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mary M. Johnson
Clerk of Courts
Santa Rosa County, Florida

We have audited the special-purpose financial statements of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 2003, and have issued our report thereon dated December 12, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Clerk's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clerk'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 assurance 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 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 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.

This report is intended solely for the information and use of the Clerk 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

December 12, 2003



O'SULLIVAN CREEL, LLP

Certified Public Accountants & Consultants

316 South Baylen Street - Suite 200 - Pensacola, FL 32502

MANAGEMENT LETTER

Honorable Mary M. Johnson
Clerk of Courts
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Office of the Clerk of Courts of Santa Rosa County, Florida (hereinafter referred to as "Clerk"), as of and for the year ended September 30, 2003, and have issued our report thereon dated December 12, 2003.

We have issued our Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 12, 2003. 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 governmental 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) (g) 1. a.) require that we comment as to whether or not inaccuracies, shortages, defalcations, and violations of laws, rules, regulations, and contractual provisions, if any, reported in the preceding annual financial audit report have been corrected. There were no such matters disclosed in the preceding annual financial report.

The Rules of the Auditor General (Section 10.554 (1) (g) 1. b.) require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been implemented. No such recommendations were made in the preceding annual audit report.

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

The Rules of Auditor General (Sections 10.554 (1) (g) 3. and 4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's report on internal control structure and on compliance with laws and regulations: recommendations to improve financial management, accounting procedures, and internal controls; 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 which may or may not materially affect the financial statements; improper or inadequate accounting procedures; failures to properly record financial transactions; and other inaccuracies, shortages, 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. Our audit disclosed no additional matters which are required to be disclosed by Rules of Auditor General (Sections 10.554 (1) (g) 3. and 4.).

This report is intended solely for the information and use of the Clerk, management, 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

December 12, 2003

**Santa Rosa County, Florida Clerk of Courts
RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2003**

There were no comments which require management's written response.