

SANTA ROSA COUNTY, FLORIDA TAX COLLECTOR

FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

SANTA ROSA COUNTY, FLORIDA TAX COLLECTOR

FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

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O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

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

INDEPENDENT AUDITOR'S REPORT

Honorable Robert McClure
Tax Collector
Santa Rosa County, Florida

We have audited the accompanying special purpose financial statements of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), 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 Tax Collector's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 Tax Collector's financial statements are special purpose financial statements presenting only the financial position and results of operations of the Tax Collector. 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 Tax Collector.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tax Collector 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 13 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 November 19, 2003, on our consideration of the Tax Collector's internal control over financial reporting and on our tests of its compliance with certain 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

November 19, 2003

**Santa Rosa County, Florida Tax Collector
BALANCE SHEET - GENERAL FUND
September 30, 2003**

ASSETS

Cash and cash equivalents	\$ 13,524
Due from tax fund	347,157
Total assets	<u>\$ 360,681</u>

LIABILITIES

Due to other governmental units	\$ 360,681
Total liabilities	<u>360,681</u>

FUND BALANCE

Fund balance	
Unreserved	<u>--</u>
Total fund balance	<u>--</u>
Total liabilities and fund balance	<u>\$ 360,681</u>

**Santa Rosa County, Florida Tax Collector
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GENERAL FUND
For the year ended September 30, 2003**

REVENUES

Charges for services	\$ 2,337,034
Miscellaneous	<u>10,164</u>
Total revenues	<u>2,347,198</u>

EXPENDITURES

Current	
General government	
Personal services	1,434,994
Operating	442,970
Capital outlay	<u>114,408</u>
Total expenditures	<u>1,992,372</u>

Excess (deficiency) of revenues over expenditures	354,826
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OTHER FINANCING SOURCES (USES)

BOCC excess fees	<u>(354,826)</u>
Total other financing sources (uses)	<u>(354,826)</u>

Excess (deficiency) of revenues and other financing sources over expenditures and other uses	--
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FUND BALANCE, BEGINNING OF YEAR	<u> --</u>
--	---------------------

FUND BALANCE, END OF YEAR	<u><u> \$ --</u></u>
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Santa Rosa County, Florida Tax Collector
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
TAX FUND
For the year ended September 30, 2003

ASSETS

Cash	\$ 1,859,513
Miscellaneous receivables (payables)	<u>13,623</u>
Total assets	<u><u>\$ 1,873,136</u></u>

LIABILITIES

Escrow deposits	\$ 10,975
Due to other governmental units	1,502,774
Due to general fund	347,157
DMV deposits	3,833
Miscellaneous	<u>8,397</u>
Total liabilities	<u><u>\$ 1,873,136</u></u>

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

Santa Rosa County, Florida Tax Collector
NOTES TO THE 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.

1. Reporting Entity

The Governmental Accounting Standards Board (GASB) in its 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 Tax Collector, as established by Article VIII, Section 1(d), of the Constitution of the State of Florida, is an elected official of the County. The Tax Collector is considered part of Santa Rosa County, Florida's primary government for purposes of GASB No. 14. These special purpose financial statements of the Tax Collector 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 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 Tax Collector.

2. Fund Accounting

The accounting system of the Tax Collector 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 Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2003

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

2. Fund Accounting -- (Continued)

The funds utilized by the Tax Collector 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).

General Fund - the general fund of the Tax Collector is used to account for all financial resources which are generated from operations of the office and any other resources not required to be accounted for in another fund.

Fiduciary Funds

The Tax Collector's sole fiduciary fund is an agency fund (the Tax Fund). Agency funds are used to account for assets held in a custodial capacity for others. Assets equal liabilities in agency funds and results of operations are not measured. The Tax Fund is used to account for receipts of various types of taxes, licenses, and fees collected on behalf of state, county, and municipal governmental agencies.

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. The revenues are recognized when they become both measurable and available as net current assets. The Tax Collector 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 Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2003

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

4. Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of three months or less when purchased.

5. 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 accounted for in the Board of County Commissioners' government-wide financial statements.

6. Budgets and Budgetary Accounting

The Tax Collector establishes an annual budget pursuant to Section 195.087, Florida Statutes. The budget is submitted to the Florida Department of Revenue for approval. A copy is provided to the Board of County Commissioners and is incorporated into the overall county budget. The Tax Collector's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

7. Compensated Absences

It is the policy of the Tax Collector 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.

8. Excess Revenue

In accordance with Section 218.36, Florida Statutes, excess revenue is remitted proportionately to the various taxing districts at fiscal year end.

**Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2003**

NOTE B - CASH AND INVESTMENTS

The Tax Collector’s deposits at year-end are reported at cost and 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.

Florida Statutes authorize the Tax Collector to invest in obligations of the U.S. Treasury and interest bearing time deposits or savings accounts in banks participating in the multiple financial institution collateral pool.

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, <u>2002</u>	Net Additions	Balance September 30, <u>2003</u>
Compensated absences	\$ <u>165,733</u>	\$ <u>9,877</u>	\$ <u>175,610</u>

Compensated absences are paid by the General Fund.

NOTE D - INTERFUND BALANCES

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

**Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2003**

NOTE E - RETIREMENT PLAN

Participation - Employees of the Tax Collector's office participate in the Florida Retirement System, 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.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon statewide rates established by the State of Florida. During 2003, the Tax Collector contributed an average of 6.17% of each qualified regular employee's gross salary and 12.70% 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 \$78,131, \$146,832 and \$87,775 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 stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

**Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2003**

NOTE F - OPERATING LEASES

The Tax Collector has operating lease agreements for the rental of the Gulf Breeze and Pace branch offices. The Pace lease expired during the year ended September 30, 2003. Future minimum lease payments under non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

Year ending <u>September 30,</u>	
2004	\$ 19,717
2005	<u>18,568</u>
	<u>\$ 38,285</u>

Rental expense for the office leases for the year-ended September 30, 2003 was \$23,815.

NOTE G - RISK MANAGEMENT

The Tax Collector 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

Santa Rosa County, Florida Tax Collector
NOTES TO THE FINANCIAL STATEMENTS
For the year ended September 30, 2003

NOTE G - RISK MANAGEMENT -- (Continued)

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 officials' liability coverage. The Tax Collector 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Charges for services	\$ 2,432,000	\$ 2,432,000	\$ 2,337,034	\$ (94,966)
Miscellaneous	14,000	14,000	10,164	(3,836)
Total revenues	<u>2,446,000</u>	<u>2,446,000</u>	<u>2,347,198</u>	<u>(98,802)</u>
EXPENDITURES				
Current				
General government				
Personal services	1,445,242	1,434,999	1,434,994	5
Operating	381,640	442,976	442,970	6
Capital outlay	91,650	114,409	114,408	1
Total expenditures	<u>1,918,532</u>	<u>1,992,384</u>	<u>1,992,372</u>	<u>12</u>
Excess (deficiency) of revenues over expenditures	527,468	453,616	354,826	(98,790)
OTHER FINANCING SOURCES (USES)				
BOCC excess fees	<u>(527,468)</u>	<u>(453,616)</u>	<u>(354,826)</u>	<u>98,790</u>
Total other financing sources (uses)	<u>(527,468)</u>	<u>(453,616)</u>	<u>(354,826)</u>	<u>98,790</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	--	--	--	--
FUND BALANCE, BEGINNING OF YEAR	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCE, END OF YEAR	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



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**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 Robert McClure
Tax Collector
Santa Rosa County, Florida

We have audited the financial statements of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2003, and have issued our report thereon dated November 19, 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 Tax Collector'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 Tax Collector'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 Tax Collector, management and appropriate governmental agencies and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

November 19, 2003



O'SULLIVAN CREEL, LLP
Certified Public Accountants & Consultants

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

MANAGEMENT LETTER

Honorable Robert McClure
Tax Collector
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Office of the Tax Collector of Santa Rosa County, Florida (hereinafter referred to as "Tax Collector"), as of and for the year ended September 30, 2003, and have issued our report thereon dated November 19, 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 November 19, 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, fraud, and violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial 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. There were no recommendations made in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554 (1) (g) 2.) require that we comment as to whether or not the local government entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds. We determined the Tax Collector is in compliance.

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 compliance and internal control structure: 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; illegal or improper expenditures discovered within the scope of the audit that 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 come to the attention of, the auditor. Our audit disclosed no matters which are required to be disclosed by Rules of Auditor General (Sections 10.554 (1) (g) 3., and 4.).

This management letter is intended solely for the information and use of the Tax Collector, management and appropriate governmental agencies and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

November 19, 2003

**Santa Rosa County, Florida Tax Collector
RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2003**

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