

SANTA ROSA COUNTY, FLORIDA CIVIL SERVICE BOARD

FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

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FINANCIAL STATEMENTS

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TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet - All Fund Types and Account Groups	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	5
Notes to Financial Statements	6
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>	12
MANAGEMENT LETTER	14
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER	16

INDEPENDENT AUDITOR'S REPORT

Civil Service Board
Santa Rosa County, Florida

We have audited the accompanying general purpose financial statements of the Civil Service Board of Santa Rosa County, Florida (hereinafter referred to as "Civil Service Board"), as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Civil Service Board's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

As more fully described in Note A, effective July 1, 2002, Chapter 2002-385 Laws of Florida amended and repealed many of the provisions of the original Act creating the Civil Service Board. The amendments to the Act significantly reduced the scope of services provided by the Civil Service Board, and effective July 1, 2002, all assets and liabilities, including general fixed assets and long-term debt, and fund balance were transferred to the Santa Rosa County Board of County Commissioners. Accordingly, fiscal activity for the period July 1 through September 30, 2002, is reported within the financial statements of the Board of County Commissioners.

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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Civil Service Board, as of September 30, 2002, 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 our report dated December 4, 2002 on our consideration of the Civil Service Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 Greel, LLP

December 4, 2002

**Santa Rosa County, Florida Supervisor of Elections
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 September 30, 2002**

	<u>Governmental Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>
	<u>General Fund</u>	<u>General Long-Term Debt</u>	
ASSETS AND OTHER DEBITS			
Due from Board of County Commissioners	\$ 57,278	\$ --	\$ 57,278
Amount to be provided for accumulated leave	--	31,764	31,764
Total assets	<u>\$ 57,278</u>	<u>\$ 31,764</u>	<u>\$ 89,042</u>
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 39,924	\$ --	\$ 39,924
Accrued expenses	17,354	--	17,354
Annual and sick leave	--	31,764	31,764
Total liabilities	<u>57,278</u>	<u>31,764</u>	<u>89,042</u>
Fund balance	--	--	--
Total liabilities and fund balance	<u>\$ 57,278</u>	<u>\$ 31,764</u>	<u>\$ 89,042</u>

The accompanying notes are an integral part of this financial statement.

**Santa Rosa County, Florida Supervisor of Elections
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND**

For the year ended September 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Miscellaneous	\$ --	\$ 7,399	\$ 7,399
Total revenues	<u>--</u>	<u>7,399</u>	<u>7,399</u>
EXPENDITURES			
Current			
General government			
Personal services	444,805	413,732	31,073
Operating	335,842	289,553	46,289
Capital outlay	30,190	29,876	314
Total expenditures	<u>810,837</u>	<u>733,161</u>	<u>77,676</u>
Excess (deficiency) of revenues over expenditures	(810,837)	(725,762)	85,075
OTHER FINANCING SOURCES (USES)			
BOCC appropriation	810,837	725,762	(85,075)
Total other financing sources (uses)	<u>810,837</u>	<u>725,762</u>	<u>(85,075)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	--	--	--
FUND BALANCE, BEGINNING OF YEAR	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCE, END OF YEAR	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this financial statement.

Santa Rosa County, Florida Civil Service Board
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE A - SUMMARY OF ACCOUNTING POLICIES

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

1. Organization

The Civil Service Board, located in Santa Rosa County, Florida, was created by legislative act (Laws of Florida 79-561) of the State of Florida in 1979. Chapter 2002-385 of the Laws of Florida amended this act, effective July 1, 2002, repealing many of the provisions of the original act related to hiring, certification of payroll, classified employees, and revising the provisions relating to rule-making and disciplinary actions.

The Civil Service Board is considered an Independent Special District pursuant to Florida Statute 189. The Board is responsible for establishing and enforcing rules regarding employment for classified employees of the Santa Rosa County School Board (School Board) and Santa Rosa County Board of County Commissioners (Board of County Commissioners). The Civil Service Board consists of five members. One member is elected by the employees of the Board of County Commissioners, one member is elected by School Board employees, one member is appointed by the Board of County Commissioners, one member is appointed by the School Board, and, under the revised act, one member is elected by vote of the constitutional officers of Santa Rosa County. Effective July 1, 2002 there were no other employees of the Civil Service Board.

With the amendment of the act, the fiscal activity of the Civil Service Board has been significantly reduced. Thus, the Santa Rosa County Board of County Commissioners (Board of County Commissioners) has agreed to assume the remaining fiscal activity and any future fiscal activity of the Board. Therefore, all assets and liabilities, including fixed assets and long-term debt, of the Civil Service Board were transferred to the Board of County Commissioners, effective July 1, 2002.

2. Fund Accounting

The accounting system of the Civil Service Board 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 fund 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 Civil Service Board
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

2. Fund Accounting -- (Continued)

The following is a description of the fund and account groups utilized by the Civil Service Board.

Governmental Funds

These funds utilize a modified accrual basis of accounting. The measurement focus is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources rather than upon net income determination).

The Civil Service Board's general fund is used to account for appropriations from the Board of County Commissioners and the School Board.

Account Group

General Fixed Assets Account Group - This group of accounts is used to maintain control and cost information on fixed assets and equipment owned by the Civil Service Board.

General Long-Term Debt Account Group - This group is used to establish accountability for the Civil Service Board's long-term debt. This account group reflects all long-term obligations of the Civil Service Board.

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements and 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. Expenditures are recognized when the related fund liability is incurred.

Santa Rosa County, Florida Civil Service Board
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

4. Fixed Assets

Prior to July 1, 2002 and pursuant to the legislative act establishing the Civil Service Board, facilities and office space were provided by the Board of County Commissioners and the School Board. General fixed assets acquired by the Civil Service Board were recorded as expenditures in the general fund at the time of purchase. These assets were subsequently capitalized in the general fixed assets account group. No depreciation was provided for general fixed assets. The Civil Service Board did not engage in the acquisition of public domain (infrastructure) assets.

Effective July 1, 2002, all Civil Service Board fixed assets were transferred to the Board of County Commissioners and are included in the general fixed assets account group of the Board of County Commissioners.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

5. Budgets and Budgetary Accounting

The Board of County Commissioners and School Board are required to fund equally between them the operations of the Civil Service Board, with the exception of legal fees, which are funded by the applicable taxing authority. The Civil Service Board submits an annual budget to the Board of County Commissioners and the School Board. The respective Boards each provide for one-half of the Civil Service Board's budget in their annual budgets.

The Civil Service Board prepares its annual budget on a basis consistent with accounting principles generally accepted in the United States of America.

6. Accumulated Unpaid Leave

The Civil Service Board does not accrue a liability for sick leave, annual leave or compensatory time in the general fund as payments on this liability will not be made with expendable available financial resources. At September 30, 2002, the Civil Service Board had no liability for accumulated sick leave, annual leave, and compensatory time as this liability was transferred to the Board of County Commissioners and recorded under their respective General Long-term Debt Account Group.

**Santa Rosa County, Florida Civil Service Board
NOTES TO FINANCIAL STATEMENTS
September 30, 2002**

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

7. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not used.

8. Total Column

The total column is presented to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

NOTE B - CASH

The Civil Service Board had no cash deposits at year-end. However, during the fiscal year, the Civil Service Board maintained its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public institution, the Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments among all Qualified Public Depositories.

NOTE C - CHANGES IN FIXED ASSETS

	Balance October 1, <u>2001</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2002</u>
Office furniture and equipment	\$ 89,045	\$ 26,917	\$ 115,962	\$ --

Santa Rosa County, Florida Civil Service Board
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE D - GENERAL LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year.

Accumulated Unpaid Leave

Balance - October 1, 2001	\$ 29,672
Net change	<u>(29,672)</u>
Balance - September 30, 2002	<u>\$ --</u>

NOTE E - RETIREMENT PLAN

Participation – Prior to July 1, 2002, employees of the Civil Service Board participated 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. Eligible employees may elect to participate in the Deferred Retirement Option Program (DROP), deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2002, the Civil Service Board contributed an average of 6.92% of each qualified regular employee's, 8.48% of senior management's gross salary, and 11.78% 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 \$8,380, \$15,900 and \$15,976 for the years ended September 30, 2002, 2001, and 2000, 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. For DROP participants, the deferred monthly benefit plus interest compounded monthly, accrues for the specified period

Santa Rosa County, Florida Civil Service Board
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE E - RETIREMENT PLAN -- (Continued)

of the DROP participation. Upon retirement, the participant receives the total accumulated DROP benefits and begins to receive current benefits at the previously determined rate.

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.

NOTE F - OPERATING LEASE

The Civil Service Board leased its former office space under an operating lease that was to have expired August 9, 2004. However, the Civil Service Board invoked its option to terminate the lease effective November 22, 2001. Facilities are now provided by Santa Rosa County at no charge.

Rental expense for office space for the year ended September 30, 2002 was \$1,230.

NOTE G - RISK MANAGEMENT

The Civil Service Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Civil Service Board carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**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**

Civil Service Board
Santa Rosa County, Florida

We have audited the general purpose financial statements of the Civil Service Board of Santa Rosa County, Florida (hereinafter referred to as "Civil Service Board"), as of and for the year ended September 30, 2002, and have issued our unqualified report thereon dated December 4, 2002. 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 Civil Service Board's general purpose 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 Civil Service Board'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. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated December 4, 2002.

This report is intended solely for the information and use of the Civil Service Board, 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 4, 2002

MANAGEMENT LETTER

Civil Service Board
Santa Rosa County, Florida

We have audited the general purpose financial statements of the Civil Service Board of Santa Rosa County, Florida (hereinafter referred to as “Civil Service Board”), as of and for the year ended September 30, 2002, and have issued our unqualified report thereon dated December 4, 2002.

We have also 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 4, 2002. 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, irregularities, shortages, defalcations, and/or 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 followed. The recommendation made in the preceding annual financial audit report has been resolved with the transfer of fiscal operations to the Santa Rosa County Board of County Commissioners.

As required by the Rules of the Auditor General (Section 10.554 (1) (g) 2.), we determined that the Civil Service Board 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

compliance and on internal controls or in the schedule of findings and questioned costs: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations and contractual provisions which may 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; improper or inadequate accounting procedures; 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. Our audit identified no additional matters required to be disclosed.

As required by the Rules of the Auditor General (Section 10.554 (1) (g) 6. a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Civil Service Board is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of Auditor General (Section 10.554 (1) (g) 6. b.), we determined that the annual financial report for the Civil Service Board for the fiscal year ended September 30, 2002, included in the financial report filed with the Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2002.

As required by the Rules of the Auditor General (Section 10.554 (1) (g) 6. c.), the scope of our audit included the use of financial condition assessment procedures pursuant to Rule 10.556 (8), to aid in the detection of deteriorating financial conditions.

This report is intended solely for the information and use of the Civil Service Board, management, and appropriate governmental agencies. However, this report is a matter of record and its distribution is not limited.

O'Sullivan Creel, LLP

December 4, 2002

**Santa Rosa County, Florida Civil Service Board
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER
September 30, 2002**

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