

**SANTA ROSA COUNTY, FLORIDA SHERIFF**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

**SANTA ROSA COUNTY, FLORIDA SHERIFF**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

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**SANTA ROSA COUNTY, FLORIDA SHERIFF**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Wendell Hall  
Sheriff  
Santa Rosa County, Florida

We have audited the accompanying special-purpose financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as "Sheriff") as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Sheriff's management. Our responsibility is to express opinions on these 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 Sheriff'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 opinions.

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 Sheriff, 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 each major fund and the aggregate remaining fund information of the Sheriff, as of September 30, 2006, and the respective changes in financial position, where applicable, thereof 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 December 1, 2006, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 16 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.

Our audit was made for the purpose of forming an opinion on the fund level financial statements. The accompanying supplementary information, the Combining Balance Sheet - All Non-Major Governmental Funds, Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - All Non-Major Governmental Funds, and Combining Schedule of Fiduciary Net Assets - All Agency Funds are presented for purposes of additional analysis and are not a required part of these financial statements. This supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

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

*O'Sullivan Greel, LLP*

December 1, 2006

**Santa Rosa County, Florida Sheriff**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**September 30, 2006**

	Major Funds			Non-major	
	General	Jail Commissary	Grants	Other	Total
<b>ASSETS</b>					
Cash	\$ 890,987	\$ 1,072,523	\$ 149,001	\$ 131,828	\$ 2,244,339
Due from other funds	345,468	--	9,087	--	354,555
Due from other governmental units	139,392	1,518	173,220	--	314,130
Accounts receivable	1,975	22,740	--	--	24,715
Inventory	27,186	--	--	--	27,186
Total assets	<u>\$ 1,405,008</u>	<u>\$ 1,096,781</u>	<u>\$ 331,308</u>	<u>\$ 131,828</u>	<u>\$ 2,964,925</u>
<b>LIABILITIES</b>					
Accounts payable and accrued payroll	\$ 1,137,589	\$ 23,616	\$ 50,231	\$ --	\$ 1,211,436
Due to other funds	9,087	62,874	275,479	7,115	354,555
Due to other governmental units	258,332	--	--	--	258,332
Unearned revenue	--	--	5,598	18,547	24,145
Total liabilities	<u>1,405,008</u>	<u>86,490</u>	<u>331,308</u>	<u>25,662</u>	<u>1,848,468</u>
<b>FUND BALANCE</b>					
Fund balance					
Unreserved	--	1,010,291	--	--	1,010,291
Reserved for law enforcement training	--	--	--	106,166	106,166
Total fund balance	<u>--</u>	<u>1,010,291</u>	<u>--</u>	<u>106,166</u>	<u>1,116,457</u>
Total liabilities and fund balance	<u>\$ 1,405,008</u>	<u>\$ 1,096,781</u>	<u>\$ 331,308</u>	<u>\$ 131,828</u>	<u>\$ 2,964,925</u>

**Santa Rosa County, Florida Sheriff**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2006**

	Major			Non-Major	Total
	General	Jail Commissary	Grants	Other	
<b>REVENUES</b>					
Intergovernmental	\$ --	\$ --	\$ 1,241,782	\$ 139,112	\$ 1,380,894
Miscellaneous	--	495,389	--	4,877	500,266
Total revenues	--	495,389	1,241,782	143,989	1,881,160
<b>EXPENDITURES</b>					
Current					
General government					
Judicial					
Personal services	696,555	--	--	--	696,555
Operating	34,863	--	--	--	34,863
Public safety					
Law enforcement					
Personal services	14,187,680	--	1,043,203	--	15,230,883
Operating	3,334,835	--	105,065	43,747	3,483,647
Capital outlay	1,474,059	--	93,514	98,651	1,666,224
Correction and detention					
Personal services	5,550,807	84,574	--	--	5,635,381
Operating	2,410,065	413,301	--	--	2,823,366
Capital outlay	--	14,237	--	--	14,237
Debt service					
Principal	54,900	--	--	--	54,900
Interest	3,976	--	--	--	3,976
Total expenditures	27,747,740	512,112	1,241,782	142,398	29,644,032
Excess (deficiency) of revenues over expenditures	(27,747,740)	(16,723)	--	1,591	(27,762,872)
<b>OTHER FINANCING SOURCES (USES)</b>					
Board of County Commissioners appropriation	27,772,447	--	--	--	27,772,447
Board of County Commissioners excess fees	(24,707)	--	--	--	(24,707)
Total other financing sources (uses)	27,747,740	--	--	--	27,747,740
<b>Net change in fund balances</b>	--	(16,723)	--	1,591	(15,132)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	--	1,027,014	--	104,575	1,131,589
<b>FUND BALANCES, END OF YEAR</b>	\$ --	\$ 1,010,291	\$ --	\$ 106,166	\$ 1,116,457

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

**Santa Rosa County, Florida Sheriff**  
**STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS**  
**September 30, 2006**

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**ASSETS**

Cash	\$ 236,418
Miscellaneous receivable	40
Total assets	<u>236,458</u>

**LIABILITIES**

Accounts payable	167,689
Due to other governmental units	9,095
Deposits	59,674
Total liabilities	<u>236,458</u>

**NET ASSETS**

Net assets	<u><u>\$ --</u></u>
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**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

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

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(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 Sheriff.

**2. Fund Accounting**

The accounting system of the Sheriff 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 funds utilized by the Sheriff's office are as follows:

**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 Sheriff reports the following major governmental funds.

**General Fund** 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.

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

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

**2. Fund Accounting -- (Continued)**

**Jail Commissary Fund** accounts for jail commissary and vending machine revenues that are used to provide recreational facilities and equipment for the prisoners.

**Grants Fund** accounts for grant revenues and expenditures from several grantors which are used according to the terms of each grant.

Non-major governmental funds of the Sheriff are as follows:

- 1) **Second Dollar** accounts for shared fine revenues from the Santa Rosa Board of County Commissioners which are used for law enforcement training purposes.
- 2) **Federal Seizure** accounts for shared seizure revenues from the United States Department of Justice which are to be used for law enforcement purposes.

**Fiduciary Funds**

The Sheriff uses agency funds to account for assets held in a custodial capacity for others. Assets equal liabilities in agency funds, and results of operations are not measured.

**3. Basis of Accounting**

Basis of accounting refers to *when* revenues and expenditures 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. Revenues are recognized when they become both measurable and available as net current assets. The Sheriff 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.

**4. Inventory**

Inventory consists primarily of general office supplies and is valued at cost (first in, first out). The Sheriff uses the consumption method of accounting in which inventory acquisitions are recorded in inventory initially and charged as expenditures when used.

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

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

**5. 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 by the acquiring fund at the time of purchase. The Sheriff does not engage in the acquisition of public domain (infrastructure) assets.

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

Depreciation of vehicles and equipment is calculated using the straight-line method over estimated useful lives of 3-10 years.

Capital assets and related depreciation expense are reported as a component of the Santa Rosa County government-wide financial statements and are not reflected in the governmental fund financial statements.

**6. Budgets and Budgetary Accounting**

The Sheriff operates under budget procedures pursuant to Chapters 30 and 129, Florida Statutes. The Sheriff's general fund budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. The Sheriff is not legally required to prepare a budget for the other governmental funds; therefore, comparative budget and actual results are not presented for these funds. The legal level of budgetary control is the fund level.

**7. Compensated Absences**

Employees 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 Sheriff  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

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

**8. Excess Revenue**

In accordance with Section 218.36, Florida Statutes, excess appropriations are returned to the Board of County Commissioners at fiscal year-end and are reported in the "due to other governmental units" liability account. Charges for services, interest income, and other miscellaneous revenues collected by the Sheriff are considered to be "agency" transactions, not available for expenditure by the Sheriff, and are remitted to the Board on a monthly basis.

**NOTE B - CASH AND INVESTMENTS**

The Sheriff's deposits at year-end 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. Accordingly, risk of loss due to bank failure is not significant.

Statutes authorize the Sheriff to invest in direct obligations of the U.S. Treasury, interest bearing time deposits, or savings accounts in banks participating in the multiple financial institution collateral pool, the Local Government Surplus Funds, and SEC registered money market funds.

**NOTE C - CAPITAL ASSETS**

Disclosures required by Chapter 10.557(3)(g) Rules of the Auditor General State of Florida related to capital assets are as follows:

	<u>Balance 10/01/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/06</u>
Vehicles, equipment, and furniture	\$ 8,538,955	\$ 2,099,580	\$ (690,200)	\$ 9,948,335
Less: accumulated depreciation	<u>(5,098,522)</u>	<u>(1,289,228)</u>	<u>619,366</u>	<u>(5,768,384)</u>
Net Total	<u>\$ 3,440,433</u>	<u>\$ 810,352</u>	<u>\$ (70,834)</u>	<u>\$ 4,179,951</u>

Depreciation expense for the year ended September 30, 2006, was \$1,289,228.

**Santa Rosa County, Florida Sheriff  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE D - LONG-TERM DEBT OBLIGATIONS**

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

Compensated Absences	
Balance - October 1, 2005	\$ 3,505,312
Increases	1,765,324
Decreases	<u>(1,863,476)</u>
Balance - September 30, 2006	<u>\$ 3,407,160</u>

The general fund has typically been used to liquidate liabilities for compensated absences.

Long-Term Debt - Capital Lease	
Balance - October 1, 2005	\$ 112,350
Additions	--
Principal payments	<u>(54,900)</u>
Balance - September 30, 2006	<u>\$ 57,450</u>

Future Lease Payments	
2007	<u>\$ 58,876</u>
Total minimum lease payments	58,876
Less: amount representing interest	<u>(1,426)</u>
Net minimum lease payments	<u>\$ 57,450</u>

The Sheriff is obligated under a lease-purchase agreement with Ford Motor Credit related to the lease-purchase of automobiles. The lease qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments at the inception of the lease. The acquired assets have been recorded as capital assets of the Board of County Commissioners of Santa Rosa County, Florida.

**NOTE E - INTERFUND BALANCES**

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 345,468	\$ 9,087
Jail Commissary	--	62,874
Grants	9,087	275,479
Non-major governmental	<u>--</u>	<u>7,115</u>
	<u>\$ 354,555</u>	<u>\$ 354,555</u>

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

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**NOTE E - INTERFUND BALANCES -- (Continued)**

Of the total due to the General Fund in the amount of \$345,468, \$275,479 consists of advances to the Grant Fund which will be paid back to the General Fund after reimbursement is received from grantors. The remainder consists of expenditures made for the various other funds which are typically reimbursed to the General Fund on a monthly basis. The balance of \$9,087 payable to the Grant Fund consists of amounts owed to the Grant Fund for expenses allocable to the General Fund.

**NOTE F - PENSION AND RETIREMENT PLAN**

Substantially all full-time employees of the Sheriff are covered by the Florida Retirement System (FRS), a multiple employer cost sharing defined benefit pension plan. The FRS was established in 1970 by Chapter 121, Florida Statutes and is administered by the Florida Department of Management Services, Division of Retirement. Changes to the FRS can be made only by an act of the Florida Legislature. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to FRS, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

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 for all members actively employed on July 1, 2001 after 6 years of creditable service, regardless of membership class. Under the laws in effect before that date, members needed 7, 8, or 10 years of service to become vested, depending on their membership class. Normal retirement benefits are available to employees who retire at age 62 with 6 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Retirement age and years of service requirements will vary depending on membership class. Early retirement is available after 6 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.

**Santa Rosa County, Florida Sheriff  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006**

**NOTE F - PENSION AND RETIREMENT PLAN -- (Continued)**

Deferred Retirement Option Program (DROP) is an elective program available for eligible members of the FRS Pension Plan, Teachers' Retirement System, and State and County Officers and Employees' Retirement System who are eligible for normal retirement. Under this program, a member effectively retires and continues covered employment for up to 5 years. While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and cost-of-living increases. When the DROP period is over, the participant terminates covered employment and begins receiving his/her predetermined monthly retirement benefit, as well as the accrued DROP benefit. Disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.

The FRS is noncontributory for employees and all contributions are made by participating FRS employers. Participating employer contributions are based upon state-wide rates established by the State of Florida. Average contribution rates for the fiscal year ended September 30, 2006 were as follows: regular employees, 8.34%, special risk employees, 19.13%, elected officials, 15.56%, senior management employees, 11.12%, and DROP participants, 9.73%. The Sheriff's contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year and totaled \$2,457,102, \$2,204,651, and \$1,943,059, for the years ended September 30, 2006, 2005, and 2004, respectively.

**NOTE G - OPERATING LEASES**

Certain office equipment is leased under non-cancelable operating leases expiring in various years through 2008.

Year ending	
<u>September 30,</u>	
2007	\$ 64,498
2008	<u>36,811</u>
Total minimum payments required	<u>\$ 101,309</u>

Rental expense for the year ended September 30, 2006, amounted to \$179,134.

**Santa Rosa County, Florida Sheriff**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2006**

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**NOTE H - GRANT ASSISTANCE**

The Sheriff serves as implementing agency for various grants which are reported in the Single Audit Report prepared by the Santa Rosa County Board of County Commissioners.

**NOTE I - RISK MANAGEMENT**

The Sheriff 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, \$25,000 deductible
- Public Officials' Liability, \$25,000 deductible

Conventional insurance remains in effect for buildings, contents, Sheriff's general and professional liability, Sheriff's automobiles, and Sheriff's medical malpractice for treatment of prisoners. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Santa Rosa County, Florida Sheriff**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**For the year ended September 30, 2006**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ --	\$ --	\$ --	\$ --
Miscellaneous	--	--	--	--
Total revenues	--	--	--	--
<b>EXPENDITURES</b>				
Current				
General government				
Judicial				
Personal services	782,340	672,340	696,555	(24,215)
Operating	44,960	35,460	34,863	597
Public safety				
Law enforcement				
Personal services	14,304,920	14,219,920	14,187,680	32,240
Operating	3,002,850	3,453,350	3,334,835	118,515
Capital outlay	980,660	1,420,347	1,474,059	(53,712)
Correction and detention				
Personal services	5,592,520	5,540,520	5,550,807	(10,287)
Operating	2,646,510	2,430,510	2,410,065	20,445
Capital outlay	--	--	--	--
Debt service				
Principal	--	--	54,900	(54,900)
Interest	--	--	3,976	(3,976)
Total expenditures	<u>27,354,760</u>	<u>27,772,447</u>	<u>27,747,740</u>	<u>24,707</u>
Excess (deficiency) of revenues over expenditures	(27,354,760)	(27,772,447)	(27,747,740)	24,707
<b>OTHER FINANCING SOURCES (USES)</b>				
Board of County Commissioners appropriation	27,354,760	27,772,447	27,772,447	--
Board of County Commissioners excess fees	--	--	(24,707)	(24,707)
Total other financing sources (uses)	<u>27,354,760</u>	<u>27,772,447</u>	<u>27,747,740</u>	<u>(24,707)</u>
<b>Net change in fund balance</b>	--	--	--	--
<b>FUND BALANCE, BEGINNING OF YEAR</b>	--	--	--	--
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**SUPPLEMENTARY INFORMATION - COMBINING FUND FINANCIAL STATEMENTS**

**Santa Rosa County, Florida Sheriff**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2006**

	Second Dollar Fund	Federal Seizure Fund	Totals
<b>ASSETS</b>			
Cash	\$ 112,281	\$ 19,547	\$ 131,828
<b>LIABILITIES</b>			
Due to other funds	\$ 6,115	\$ 1,000	\$ 7,115
Unearned revenue	--	18,547	18,547
Total liabilities	6,115	19,547	25,662
<b>FUND BALANCE</b>			
Fund balance			
Reserved for law enforcement training	106,166	--	106,166
Total liabilities and fund balance	\$ 112,281	\$ 19,547	\$ 131,828

**Santa Rosa County, Florida Sheriff**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2006**

	Second Dollar Fund	Federal Seizure Fund	Totals
<b>REVENUES</b>			
Intergovernmental	\$ 40,461	\$ 98,651	\$ 139,112
Miscellaneous	4,877	--	4,877
Total revenues	<u>45,338</u>	<u>98,651</u>	<u>143,989</u>
<b>EXPENDITURES</b>			
Current			
Public safety			
Law enforcement			
Operating	43,747	--	43,747
Capital outlay	--	98,651	98,651
Total expenditures	<u>43,747</u>	<u>98,651</u>	<u>142,398</u>
Net change in fund balances	1,591	--	1,591
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>104,575</u>	<u>--</u>	<u>104,575</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 106,166</u>	<u>\$ --</u>	<u>\$ 106,166</u>

**Santa Rosa County, Florida Sheriff**  
**COMBINING SCHEDULE OF FIDUCIARY NET ASSETS -**  
**ALL AGENCY FUNDS**  
**September 30, 2006**

	Individual Depositors Fund	Suspense Fund	Prisoner Personal Fund	Seizure Fund	Flower Fund	Totals
<b>ASSETS</b>						
Cash	\$ 7,600	\$ 167,979	\$ 18,716	\$ 32,916	\$ 9,207	\$ 236,418
Miscellaneous receivable	40	--	--	--	--	40
Total assets	<u>7,640</u>	<u>167,979</u>	<u>18,716</u>	<u>32,916</u>	<u>9,207</u>	<u>236,458</u>
<b>LIABILITIES</b>						
Accounts payable	--	167,689	--	--	--	167,689
Due to other governments	7,640	290	--	1,165	--	9,095
Deposits	--	--	18,716	31,751	9,207	59,674
Total liabilities	<u>7,640</u>	<u>167,979</u>	<u>18,716</u>	<u>32,916</u>	<u>9,207</u>	<u>236,458</u>
<b>NET ASSETS</b>						
Net assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**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 Wendell Hall  
Sheriff  
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as “Sheriff”) as of and for the year ended September 30, 2006, and have issued our report thereon dated December 1, 2006. 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 Sheriff’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff’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 December 1, 2006, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Sheriff, 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 Greel, LLP*

December 1, 2006

## MANAGEMENT LETTER

Honorable Wendell Hall  
Sheriff  
Santa Rosa County, Florida

We have audited the special-purpose financial statements (hereinafter referred to as “financial statements”) of each major fund and the aggregate remaining fund information of the Office of the Sheriff of Santa Rosa County, Florida (hereinafter referred to as “Sheriff”) as of and for the year ended September 30, 2006, and have issued our report thereon dated December 1, 2006.

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 December 1, 2006. 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) (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 report. There were no such matters disclosed in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554 (1) (h) 2.), we determined that the Sheriff 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 Sheriff's financial management, accounting procedures, and internal controls. We are submitting for consideration the recommendations described in Attachment A, as required by the Rules of the Auditor General (Section 10.554(1) (h) 3.).

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 which 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, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. We are submitting for consideration the recommendations described in Attachment A, as required by the Rules of the Auditor General (Section 10.554(1) (h) 4.).

This report is intended solely for the information and use of the Sheriff, 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 Greel, LLP*

December 1, 2006

**Santa Rosa County, Florida Sheriff**  
**CURRENT YEAR RECOMMENDATIONS (Attachment A)**  
**For the year ended September 30, 2006**

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**2006-1 RECONCILIATION OF INVENTORY TO PROPERTY RECORDS**

*Finding* – The Sheriff’s Office conducted its annual inventory of tangible property in October of 2006, and approximately \$493,000 (original cost basis) of property per the detailed property records was either not located or unidentifiable.

*Recommendation* – We recommend the Sheriff’s Office investigate these unaccounted for items to determine reasons for the discrepancy between the property records and the actual physical inventory. We recommend the Sheriff review the existing policies and procedures for fixed asset accounting and make appropriate changes as necessary to insure the records are maintained on a current basis and are reconcilable to the actual physical inventory.

**2006-2 PRISONERS PERSONAL ACCOUNTS**

*Finding* – The Sheriff’s Office acts in a fiduciary capacity in collecting funds from prisoners, maintaining these deposits, and making disbursements for the prisoner’s personal needs such as commissary and medical expenses. Upon release from jail, any remaining funds are returned to the prisoner. The SMARTCOP software program provides a transaction history with an inmate signature sign-off for the prisoner’s verification of amounts collected and disbursed on his or her behalf. During the audit we noted that prisoner’s signatures are not being obtained to verify the propriety of transactions made on their behalf.

*Recommendation* – As an added control to ensure the propriety of collections and disbursements on behalf of the prisoners, we recommend the Sheriff’s Office obtain the prisoners’ signatures on the transaction history reports upon their release from jail.

**Santa Rosa County, Florida Sheriff**  
**CURRENT YEAR RECOMMENDATIONS (Attachment A)**  
**For the year ended September 30, 2006**

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**2006-3      PAYROLL ACCOUNTING**

*Finding* – The Sheriff’s Office began using the KRONOS timekeeping system during the year ended September 30, 2006. Signoffs by employees and department supervisors on timecards are performed electronically within the KRONOS software.

We noted several instances where approvals by employees or supervisors were not documented. We also noted an instance where an employee made an error entering his time and was paid for 18.5 hours for one day’s work when the actual hours were 9.25 hours.

*Recommendation* - We recommend controls be implemented to ensure all timecard signoffs and approvals are completed. The Sheriff’s Office should request reimbursement from the employee of the overpayment and implement additional controls as necessary to prevent overpayments of this nature.

**Santa Rosa County, Florida Sheriff**  
**MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER**  
**For the year ended September 30, 2006**

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**2006-1 RECONCILIATION OF INVENTORY TO PROPERTY RECORDS**

We agree with the recommendation and will investigate the unaccounted for items. We anticipate the majority of these items will be located or otherwise accounted for by the end of April 2007. We will take steps to ensure that the policies and procedures already in place are adhered to so that this variance will not reoccur.

**2006-2 PRISONERS PERSONAL ACCOUNTS**

We will implement the recommendation and will obtain the signature of released inmates on their transaction history reports.

**2006-3 PAYROLL ACCOUNTING**

We will make the necessary programming changes in the KRONOS timekeeping system to correct the problem which allowed the duplicate payment to occur. We will research the payroll records to ensure that the duplication was an isolated case and we will receive reimbursement from the employee. We will obtain a signoff from every employee each pay period, unless they are not physically at work during the signoff period. All timecards are approved by at least one supervisor in the employee's chain of command.