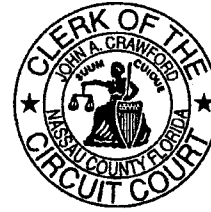




John A. Crawford
Clerk of the Circuit Court
Nassau County



October 19, 2005

Nassau County Board of County Commissioners
Post Office Box 1010
Fernandina Beach, FL 32035

Dear Commissioners:

It has come to my attention after a review of the Board minutes of October 12th that three unbudgeted items exceeding \$400,000.00 were voted to be taken from Reserves. As Chief Financial Officer/Comptroller and Budget Officer, it is my duty to notify you that this is in violation of the Board of County Commissioners' policy, adopted on January 19, 2005 that prohibits using non-recurring revenues for recurring expenses. Your October 12th action, taken just twelve days after the new budget year began, runs counter to the warnings you received from Fitch Bond Rating Agency noting "...serious internal control and budgetary weaknesses that led to the erosion of the county's reserve position," and a second downgrading of its bond rating.

Additionally, on December 30, 2004, Standard and Poor's stated that they "will reevaluate the county's financial position and prospects once the audited fiscal 2004 financial statements are available and the incoming clerk of the court's plan to address operating deficits has been presented".

I have recommended a plan of action through several presentations to the Board outlining my recommendation to address this problem: January 19, 2005 - BOCC Cash Forward and Cash Flow Summaries and Recommendations, May 11, 2005 - BOCC Mid-year Budget Review FY 2004/2005, and on July 11, 2005 - FY 2005/2006 BOCC Budget and Millage Recommendation.

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While some of the recommendations such as the FY 2005/2006 BOCC Budget and Millage Recommendation have been implemented, others such as the projected \$3.1 million operating deficit for the operation of the landfill have not been sufficiently addressed by the Board to strengthen the county's "weakened financial position."

Please note that none of these three new items were submitted during the budget process, which was just completed by adoption of the 2005/2006 Budget on September 26, 2005. No budget documentation related to these three items was provided to this office prior to the adoption of the budget. Sound budget practices require that expenses of this magnitude be identified during the budget process for the specific purpose for which they are to be expended. As you are aware, the Truth in Millage Law (TRIM), which governs the budget process, requires public hearings and advertising so that the public has the opportunity to be aware of and to speak to governmental expenditures of their tax dollars. In order to protect this public trust, it is better not to give the perception of trying to avoid this process in order to fund high-cost items. The fact that this new expenditure was added twelve days after adopting the budget could very well give that perception.

In view of the need to adhere to policy and to demonstrate to the bond rating agencies and taxpayers the commitment that the Nassau County Commission has for strengthening the county's fiscal condition by avoiding unnecessary reserve depletions, the one per cent salary increase and other issues making up the \$400,000.00 must not be paid from the "reserve for contingencies" account as stated in the Board minutes of October 12, 2005. To do so would further the appearance of the county's continued "weakened financial position," "lack of internal controls," and demonstrate a continued disregard for sound financial management.

As Chief Financial Officer and Budget Officer, it is my recommendation that the Board rescind the October 12, 2005, action which depletes reserves to fund the unbudgeted \$400,000.00 expenditure and in place of that action, direct

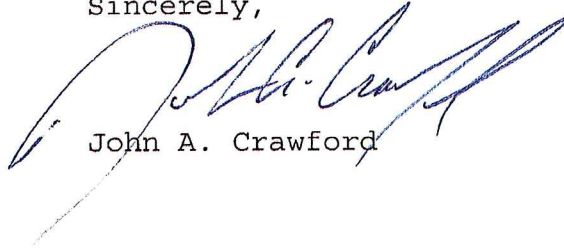
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that the disbursement not be made until after the annual "cash forward adjustments" are made in January or February, 2006. Then, funds can be transferred to the proper salary accounts (retroactively) and would alleviate unnecessary depletion of reserves and thus would not contribute to a "weakened financial position." Please advise my office in advance of the Board's discussion of correcting its October 12th action. The Clerk's Office always looks forward to assisting the Board in meeting its goals.

Sincerely,

A handwritten signature in blue ink, appearing to read "John A. Crawford", is written over the typed name. The signature is fluid and cursive, with a large initial "J" and "C".

John A. Crawford