

**SANTA ROSA COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

**SANTA ROSA COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2002**

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**SANTA ROSA COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2002**

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

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

Except as discussed in the following paragraph, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

The valuations for general fixed assets were not properly documented. The Board has not established records showing the actual or estimated historical cost of these assets. It was not feasible to apply alternative auditing procedures to determine the fairness of values reported.

The accompanying financial statements were prepared for the purpose of complying with state reporting requirements as described in Note A and are intended to present the financial position and results of operations of only that portion of the financial reporting entity of Santa Rosa County, Florida that is attributable to the transactions of the Board of County Commissioners of Santa Rosa County, Florida.

In our opinion, except for the effects of adjustments, if any, that might have been disclosed had the valuations for general fixed assets been documented as described in the third paragraph of this report, the special purpose financial statements referred to above, present fairly, in all material

respects, the financial position of the Board of County Commissioners of Santa Rosa County, Florida, as of September 30, 2002, and the results of its operations and cash flows of its proprietary fund types 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 January 14, 2003 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. 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.

Our audit was made for the purpose of forming an opinion on the special purpose financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the special purpose financial statements of the Board. Such information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the special purpose financial statements taken as a whole.

O'Sullivan Creel, LLP

January 14, 2003

Santa Rosa County, Florida Board of County Commissioners
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 2002

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Debt	
ASSETS AND OTHER DEBITS										
Cash and cash equivalents	\$ 2,500,264	\$ 8,973,530	\$ 15,579	\$ 3,532,648	\$ 4,133,098	\$ 1,095,046	\$ 89,110	\$ --	\$ --	\$ 20,339,275
Investments	6,336,721	10,109,071	9,772	1,616,826	2,235,359	1,888,142	--	--	--	22,195,891
Restricted assets										
Investments	--	--	--	--	1,796,630	--	--	--	--	1,796,630
Receivables, net of uncollectibles										
Accounts	85,187	688,381	--	--	373,644	107	282,179	--	--	1,429,498
Interest	--	--	--	--	33,200	--	--	--	--	33,200
Notes - current	--	--	--	--	39,936	--	--	--	--	39,936
Leases - current	53,703	--	--	--	11,133	--	--	--	--	64,836
Notes - long term	--	--	--	--	1,443,921	--	--	--	--	1,443,921
Leases - long term	12,062	--	--	--	--	--	--	--	--	12,062
Due from other governments	1,552,975	7,736,086	--	325,051	--	--	226	--	--	9,614,338
Due from other funds	1,445,084	150,000	--	--	--	100,000	399,551	--	--	2,094,635
Advances to other funds	--	137,717	--	--	--	--	--	--	--	137,717
Inventory	8,698	357,640	--	--	--	--	--	--	--	366,338
Deferred charges	--	--	--	--	96,978	--	--	--	--	96,978
Fixed assets, net of accumulated depreciation	--	--	--	--	9,113,299	--	--	89,268,814	--	98,382,113
Amount to be provided for compensated absences	--	--	--	--	--	--	--	--	2,762,482	2,762,482
Amount to be provided for retirement of general long-term obligations	--	--	--	--	--	--	--	--	7,052,278	7,052,278
Amount available in debt service fund	--	--	--	--	--	--	--	--	25,351	25,351
Total assets and other debits	\$ 11,994,694	\$ 28,152,425	\$ 25,351	\$ 5,474,525	\$ 19,277,198	\$ 3,083,295	\$ 771,066	\$ 89,268,814	\$ 9,840,111	\$ 167,887,479

Continued...

**Santa Rosa County, Florida Board of County Commissioners
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS -- (Continued)
September 30, 2002**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Debt	
LIABILITIES AND OTHER CREDITS										
Accounts payable	\$ 392,201	\$ 814,517	\$ --	\$ 502,722	\$ 83,982	\$ 111,776	\$ 226,566	\$ --	\$ --	\$ 2,131,764
Claims payable - current	--	--	--	--	--	1,810,623	--	--	--	1,810,623
Accrued compensation	365,839	218,018	--	--	44,942	1,793	--	--	--	630,592
Payable from restricted assets										
Revenue bonds - current	--	--	--	--	677,500	--	--	--	--	677,500
Accrued interest	--	--	--	--	30,873	--	--	--	--	30,873
Deposits	122,276	--	--	--	35,803	--	--	--	--	158,079
Current portion of landfill closure costs	--	--	--	--	182,435	--	--	--	--	182,435
Deferred revenue	412,050	--	--	--	--	--	--	--	--	412,050
Due to other funds	151,330	1,000,584	--	--	--	398,221	544,500	--	--	2,094,635
Due to other governments	21,366	--	--	--	33,794	--	--	--	--	55,160
Advances from other funds	--	137,717	--	--	--	--	--	--	--	137,717
Claims payable - long term	--	--	--	--	--	1,012,272	--	--	--	1,012,272
Compensated absences	--	--	--	--	289,693	--	--	--	2,762,483	3,052,176
Notes payable	--	--	--	--	--	--	--	--	3,182,680	3,182,680
Special assessment notes	--	--	--	--	--	--	--	--	654,948	654,948
Landfill closure costs	--	--	--	--	6,606,830	--	--	--	--	6,606,830
Revenue bonds payable	--	--	--	--	3,317,871	--	--	--	3,240,000	6,557,871
Total liabilities	<u>1,465,062</u>	<u>2,170,836</u>	<u>--</u>	<u>502,722</u>	<u>11,303,723</u>	<u>3,334,685</u>	<u>771,066</u>	<u>--</u>	<u>9,840,111</u>	<u>29,388,205</u>
FUND EQUITY										
Contributed capital	--	--	--	--	9,478,096	--	--	--	--	9,478,096
Investment in general fixed assets	--	--	--	--	--	--	--	89,268,814	--	89,268,814
Retained earnings (accumulated deficit)										
Reserved	--	--	--	--	30,282	--	--	--	--	30,282
Unreserved	--	--	--	--	(1,534,903)	(251,390)	--	--	--	(1,786,293)
Fund balances										
Reserved	1,178,327	8,377,684	25,351	1,975,431	--	--	--	--	--	11,556,793
Unreserved	9,351,305	17,603,905	--	2,996,372	--	--	--	--	--	29,951,582
Total retained earnings/ fund balances	<u>10,529,632</u>	<u>25,981,589</u>	<u>25,351</u>	<u>4,971,803</u>	<u>(1,504,621)</u>	<u>(251,390)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>39,752,364</u>
Total fund equity	<u>10,529,632</u>	<u>25,981,589</u>	<u>25,351</u>	<u>4,971,803</u>	<u>7,973,475</u>	<u>(251,390)</u>	<u>--</u>	<u>89,268,814</u>	<u>--</u>	<u>138,499,274</u>
Total liabilities, other credits and fund equity	<u>\$ 11,994,694</u>	<u>\$ 28,152,425</u>	<u>\$ 25,351</u>	<u>\$ 5,474,525</u>	<u>\$ 19,277,198</u>	<u>\$ 3,083,295</u>	<u>\$ 771,066</u>	<u>\$ 89,268,814</u>	<u>\$ 9,840,111</u>	<u>\$ 167,887,479</u>

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

Santa Rosa County, Florida Board of County Commissioners
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year ended September 30, 2002

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum only)
Revenues					
Taxes	\$ 10,645,779	\$ 26,495,361	\$ --	\$ --	\$ 37,141,140
Licenses and permits	1,597,969	--	--	--	1,597,969
Intergovernmental	9,315,428	5,396,337	--	325,051	15,036,816
Charges for services	394,888	5,497,337	--	--	5,892,225
Fines and forfeits	183,321	1,532,027	--	--	1,715,348
Miscellaneous	1,418,128	2,467,128	10,725	136,520	4,032,501
Total revenues	23,555,513	41,388,190	10,725	461,571	65,415,999
Expenditures					
Current					
General government	13,507,640	3,802,853	--	--	17,310,493
Public safety	4,110,508	23,538,442	--	--	27,648,950
Physical environment	743,248	113,570	--	--	856,818
Transportation	--	12,165,208	--	--	12,165,208
Economic environment	124,850	1,596,295	--	--	1,721,145
Human services	3,114,654	32,037	--	--	3,146,691
Culture and recreation	1,815,920	--	--	--	1,815,920
Capital outlay	--	--	--	3,419,806	3,419,806
Debt service	--	--	1,247,493	--	1,247,493
Total expenditures	23,416,820	41,248,405	1,247,493	3,419,806	69,332,524
Excess (deficiency) of revenues over expenditures	138,693	139,785	(1,236,768)	(2,958,235)	(3,916,525)
Other financing sources (uses)					
Operating transfers in	2,966,557	1,776,497	1,262,119	3,335,377	9,340,550
Operating transfers out	(1,363,270)	(4,849,002)	--	(1,286,580)	(7,498,852)
Total other financing sources (uses)	1,603,287	(3,072,505)	1,262,119	2,048,797	1,841,698
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,741,980	(2,932,720)	25,351	(909,438)	(2,074,827)
Fund balances, beginning of year	8,797,631	28,929,872	--	5,881,241	43,608,744
Change in reserve for inventory	(9,979)	(15,563)	--	--	(25,542)
Fund balances, end of year	\$ 10,529,632	\$ 25,981,589	\$ 25,351	\$ 4,971,803	\$ 41,508,375

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

**Santa Rosa County, Florida Board of County Commissioners
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 Year ended September 30, 2002**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes	\$ 10,104,260	\$ 10,645,779	\$ 541,519	\$ 25,522,270	\$ 26,495,361	\$ 973,091	\$ --	\$ --	\$ --
Licenses and permits	1,330,000	1,597,969	267,969	--	--	--	--	--	--
Intergovernmental	9,481,576	9,315,428	(166,148)	5,920,764	5,396,337	(524,427)	--	--	--
Charges for services	211,280	394,888	183,608	4,121,249	5,497,337	1,376,088	--	--	--
Fines and forfeits	142,500	183,321	40,821	1,485,800	1,532,027	46,227	--	--	--
Miscellaneous	475,000	1,418,128	943,128	2,612,047	2,467,128	(144,919)	--	10,725	10,725
Total revenues	21,744,616	23,555,513	1,810,897	39,662,130	41,388,190	1,726,060	--	10,725	10,725
Expenditures									
Current									
General government	16,612,777	13,507,640	3,105,137	3,803,470	3,802,853	617	--	--	--
Public safety	4,449,282	4,110,508	338,774	23,560,033	23,538,442	21,591	--	--	--
Physical environment	795,370	743,248	52,122	113,698	113,570	128	--	--	--
Transportation	--	--	--	15,578,319	12,165,208	3,413,111	--	--	--
Economic environment	131,420	124,850	6,570	1,687,651	1,596,295	91,356	--	--	--
Human services	3,233,322	3,114,654	118,668	36,226	32,037	4,189	--	--	--
Culture and recreation	1,938,508	1,815,920	122,588	--	--	--	--	--	--
Capital outlay	--	--	--	--	--	--	--	--	--
Debt service	--	--	--	--	--	--	1,262,119	1,247,493	14,626
Total expenditures	27,160,679	23,416,820	3,743,859	44,779,397	41,248,405	3,530,992	1,262,119	1,247,493	14,626
Excess (deficiency) of revenues over expenditures	(5,416,063)	138,693	5,554,756	(5,117,267)	139,785	5,257,052	(1,262,119)	(1,236,768)	25,351
Other financing sources (uses)									
Operating transfers in	2,966,557	2,966,557	--	1,914,214	1,776,497	(137,717)	1,262,119	1,262,119	--
Operating transfers out	(1,363,270)	(1,363,270)	--	(4,986,719)	(4,849,002)	137,717	--	--	--
Other uses	(2,103,406)	--	2,103,406	(11,856,306)	--	11,856,306	--	--	--
Debt proceeds	--	--	--	530,320	--	(530,320)	--	--	--
Total other financing sources (uses)	(500,119)	1,603,287	2,103,406	(14,398,491)	(3,072,505)	11,325,986	1,262,119	1,262,119	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,916,182)	1,741,980	7,658,162	(19,515,758)	(2,932,720)	16,583,038	--	25,351	25,351
Fund balances, beginning of year	5,916,182	8,797,631	2,881,449	19,515,758	28,929,872	9,414,114	--	--	--
Change in reserve for inventory	--	(9,979)	(9,979)	--	(15,563)	(15,563)	--	--	--
Fund balances, end of year	\$ --	\$ 10,529,632	\$ 10,529,632	\$ --	\$ 25,981,589	\$ 25,981,589	\$ --	\$ 25,351	\$ 25,351

Continued...

**Santa Rosa County, Florida Board of County Commissioners
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -- (Continued)
 ALL GOVERNMENTAL FUND TYPES
 Year ended September 30, 2002**

	Capital Projects Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ --	\$ --	\$ --	35,626,530	\$ 37,141,140	\$ 1,514,610
Licenses and permits	--	--	--	1,330,000	1,597,969	267,969
Intergovernmental	362,998	325,051	(37,947)	15,765,338	15,036,816	(728,522)
Charges for services	--	--	--	4,332,529	5,892,225	1,559,696
Fines and forfeits	--	--	--	1,628,300	1,715,348	87,048
Miscellaneous	15,500	136,520	121,020	3,102,547	4,032,501	929,954
Total revenues	378,498	461,571	83,073	61,785,244	65,415,999	3,630,755
Expenditures						
Current						
General government	--	--	--	20,416,247	17,310,493	3,105,754
Public safety	--	--	--	28,009,315	27,648,950	360,365
Physical environment	--	--	--	909,068	856,818	52,250
Transportation	--	--	--	15,578,319	12,165,208	3,413,111
Economic environment	--	--	--	1,819,071	1,721,145	97,926
Human services	--	--	--	3,269,548	3,146,691	122,857
Culture and recreation	1,385	--	1,385	1,939,893	1,815,920	123,973
Capital outlay	5,826,858	3,419,806	2,407,052	5,826,858	3,419,806	2,407,052
Debt service	--	--	--	1,262,119	1,247,493	14,626
Total expenditures	5,828,243	3,419,806	2,408,437	79,030,438	69,332,524	9,697,914
Excess (deficiency) of revenues over expenditures	(5,449,745)	(2,958,235)	2,491,510	(17,245,194)	(3,916,525)	13,328,669
Other financing sources (uses)						
Operating transfers in	3,335,377	3,335,377	--	9,478,267	9,340,550	(137,717)
Operating transfers out	(1,286,580)	(1,286,580)	--	(7,636,569)	(7,498,852)	137,717
Other uses	(2,480,340)	--	2,480,340	(16,440,052)	--	16,440,052
Note proceeds	--	--	--	530,320	--	(530,320)
Total other financing sources (uses)	(431,543)	2,048,797	2,480,340	(14,068,034)	1,841,698	15,909,732
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,881,288)	(909,438)	4,971,850	(31,313,228)	(2,074,827)	29,238,401
Fund balances, beginning of year	5,881,288	5,881,241	(47)	31,313,228	43,608,744	12,295,516
Change in reserve for inventory	--	--	--	--	(25,542)	(25,542)
Fund balances, end of year	\$ --	\$ 4,971,803	\$ 4,971,803	\$ --	\$ 41,508,375	\$ 41,508,375

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

Santa Rosa County, Florida Board of County Commissioners
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
Year ended September 30, 2002

	Enterprise Funds	Internal Service Fund
	<u> </u>	<u> </u>
Operating revenues		
Licenses and permits	\$ 1,155	\$ --
Charges for services	3,329,308	--
Leases	421,119	--
Premiums received	--	1,366,487
Insurance proceeds	--	150,785
Miscellaneous	135,992	4,775
Total operating revenues	<u>3,887,574</u>	<u>1,522,047</u>
Operating expenses		
Personal services	1,126,008	--
Contract services	394,019	67,963
Supplies	127,438	1,952
Repairs and maintenance	457,782	--
Utilities	255,134	--
Depreciation	891,285	--
Travel and per diem	11,785	--
Insurance	21,500	410,718
Communications	27,538	1,317
Advertising	758	--
Fuel and oil	74,939	--
Rentals	7,991	--
Landfill closure and maintenance	301,911	--
Claims	--	2,061,641
State assessment	--	76,271
Miscellaneous	8,063	1,152
Total operating expenses	<u>3,706,151</u>	<u>2,621,014</u>
Operating income (loss)	<u>181,423</u>	<u>(1,098,967)</u>
Non-operating revenues (expenses)		
Sale of land	224,355	--
Interest income	289,502	45,678
Interest expense	(199,523)	--
State grants	8,162	--
Aid to private organizations	(30,000)	--
Amortization & other bond costs	(48,671)	--
Total non-operating revenues (expenses)	<u>243,825</u>	<u>45,678</u>
Income (loss) before operating transfers	425,248	(1,053,289)
Operating transfers in (out)	<u>(2,578,698)</u>	<u>737,000</u>
Net loss	(2,153,450)	(316,289)
Retained earnings, beginning of year	648,829	421,623
Prior period adjustment	--	(356,724)
Retained earnings (accumulated deficit), beginning of year (restated)	<u>648,829</u>	<u>64,899</u>
Accumulated deficit, end of year	<u>\$ (1,504,621)</u>	<u>\$ (251,390)</u>

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

Santa Rosa County, Florida Board of County Commissioners
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
Year ended September 30, 2002

	Enterprise	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 181,423	\$ (1,098,967)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	891,285	--
Gain on disposal of assets	17,108	--
Change in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	9,999	(107)
Leases receivable	66,709	--
Due from othe funds	--	(100,000)
Due from other governments	287,396	3,887
(Decrease) increase in:		
Accounts payable	(88,824)	15,356
Accrued compensation	14,745	(1,107)
Annual and sick leave	9,321	--
Landfill closure costs payable	301,911	--
Claims payable	--	345,564
Deferred revenue	(66,592)	--
Deposits	4,719	--
Due from other funds	--	398,221
Due to other governments	12,733	--
	1,641,933	(437,153)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in (out)	(2,578,698)	737,000
State grants	8,162	--
Aid to private organizations	(30,000)	--
	(2,600,536)	737,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition & construction of capital assets	(75,878)	--
Proceeds from sale of land	225,810	--
Proceeds from note receivable	40,554	--
Interest paid	(204,809)	--
Payments on bonds and leases	(667,500)	--
	(681,823)	--
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments - State Investment Pool	4,909,862	679,323
Interest income	289,502	45,678
	5,199,364	725,001
Net cash provided (used) by investing activities	5,199,364	725,001
NET INCREASE (DECREASE) IN CASH	3,558,938	1,024,848
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	574,160	70,198
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,133,098	\$ 1,095,046

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

**SANTA ROSA COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002**

GUIDE TO NOTES

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**SANTA ROSA COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
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SEPTEMBER 30, 2002**

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Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied consistently 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 Board of County Commissioners of Santa Rosa County is the principal legislative and governing body of the County, as provided by the Florida Constitution, Article 8, Section 1(e), and Chapter 125, Florida Statutes. The Board consists of five Commissioners elected by the voters of the County for terms of four years each.

The Board of County Commissioners is considered part of Santa Rosa County, Florida's primary government for purposes of GASB No. 14. These special purpose financial statements of the Board of County Commissioners are issued separately to comply with Section 10.557(3), Rules of the Auditor General for Local Governmental Entity Audits, pursuant to Section 11.45(8), Florida Statutes and do not include the Property Appraiser, Tax Collector, Clerk of the Circuit Court, Sheriff, Supervisor of Elections (collectively known as County officers), or other independent authorities and boards. The Board's financial statements do not purport to reflect the financial position or the results of operations of Santa Rosa County taken as a whole.

Dependent Special Districts

Blackwater Soil & Water Conservation District - The activities of the Blackwater Soil & Water Conservation District are included in these financial statements as a department of the Board of County Commissioners within the General Fund. A separately issued report is presently not prepared.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

1. Reporting Entity -- (Continued)

Pace Property Finance Authority - The Pace Property Finance Authority (Authority) was created in 1990 by County Resolution No. 90-12 pursuant to Chapter 617 of the Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of Santa Rosa County. However, the Authority meets the criteria for inclusion in more than one reporting entity - Pace Water System as well as Santa Rosa County. GASB Statement No. 14 indicates that in these cases, judgment must be exercised by management of the reporting entities as to which reporting entity the organization should be included. The Authority has the same elected governing body as the Pace Water System. Additionally, both the Authority and Pace Water System own portions of a single water/sewer system; thus, their fixed assets are part of an interconnected system. Finally, the Authority's debt was issued solely to finance the Pace water/sewer system improvements. Based on these facts, management has decided to include the Authority in the combined financial statements of Pace Water System rather than as a component unit of Santa Rosa County.

Santa Rosa County Health Facilities Authority - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of Santa Rosa County. The Board of County Commissioners (Board) appoints the five (5) members of the Authority. Additionally, the Board may abolish the Authority at any time by ordinance or resolution as long as all bonded indebtedness incurred by the Authority has been paid. The Authority exists solely to assist health facilities within Santa Rosa County with the acquisition, construction, financing, and refinancing of projects. The Authority issued approximately \$15.8 million in bonds in 1983, lending the proceeds of the bonds to Gulf Breeze Hospital. These bonds were subsequently defeased in 1988 when the Authority issued approximately \$17.3 million in new bonds. The 1988 bonds were defeased in 1993 when the Authority issued approximately \$18.6 million in new bonds. The debt outstanding is a limited obligation of the Authority and not a general obligation of the Authority or Santa Rosa County. The Authority is not obligated to pay the principal and interest on the bonds except from the revenues of the Authority pursuant to its loan agreement with Gulf Breeze Hospital. The Authority has no financial activity and the bonds issued under the Authority's name are recorded in the books of the hospital.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

1. Reporting Entity -- (Continued)

Santa Rosa County Housing Finance Authority - The Santa Rosa County Housing Finance Authority (Authority) was created in 1984 by County Resolution No. 84-18 pursuant to Chapter 78-89, Laws of Florida codified as Chapter 159, Part IV, Section 159.601 through 159.623. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of Santa Rosa County. The Santa Rosa County Board of County Commissioners, through various resolutions and interlocal agreements with the Escambia County Housing Finance Authority (ECHFA), has authorized ECHFA to allow qualified residents of Santa Rosa County to apply for and obtain preferential mortgages from proceeds generated by bonds issued by ECHFA. Accordingly, there is no financial activity related to the Santa Rosa County Housing Finance Authority to be reflected in these financial statements.

2. Fund Accounting

The accounts of the Board of County Commissioners are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The funds types and account groups used by the Board of County Commissioners 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 governmental funds utilized are:

General Fund is used to account for all financial resources not required to be accounted for in another fund.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

2. Fund Accounting -- (Continued)

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund accounts for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term debt.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds

The two types of proprietary funds are enterprise funds and internal service funds.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund is used to account for the financing of goods and services provided by one department to other departments or agencies of the Board or to other governmental units on a cost-reimbursement basis. The Board has established the self-insurance fund to account for monies provided to cover current costs and future reserve requirements for the County's self-insurance programs.

Fiduciary Funds

The two types of fiduciary funds are trust and agency funds.

Trust and Agency Funds are used to account for assets held by the Board in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

2. Fund Accounting -- (Continued)

Account Groups

Account groups are used to establish accountability for the Board's general fixed assets and long-term debt. These self-balancing account groups are not funds and do not reflect available financial resources and related liabilities.

General Fixed Assets Account Group - accounts for all fixed assets of the Board, except those accounted for in the proprietary funds.

General Long-Term Debt Account Group - accounts for all long-term obligations of the Board, except those accounted for in the proprietary funds.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets. Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund types.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

4. Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

The revenues susceptible to accrual are charges for services, licenses, interest revenue, and excess fees of constitutional officers. Sales taxes and other taxes collected and held by an intermediary at year-end on behalf of the Board are also recognized as revenue.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Board reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Board before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In the subsequent period when both revenue recognition criteria are met, or when the Board has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

5. Budgets and Budgetary Accounting

Florida Statutes Chapters 129 and 200 govern the preparation, adoption, and administration of the County's annual budget. The budget must be balanced, i.e., the estimated revenues plus beginning fund balance brought forward must equal appropriations and be prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Board may, at any time within a fiscal year, amend a budget for that year as follows:

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

5. Budgets and Budgetary Accounting -- (Continued)

Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund correspondingly increased by motion recorded in the minutes, provided that the total of the appropriations of the fund not be changed. The Board may establish procedures by which the budget officer may authorize certain interdepartmental budget amendments, provided that the total appropriation of the department is not changed. All annual appropriations lapse at fiscal year-end.

6. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Appropriations lapse at the end of the year and any outstanding encumbrances are canceled and reissued in the subsequent year.

7. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

8. Investments

Investments in bank certificates of deposit, U.S. Treasury bills, government backed securities and the Florida Local Government Investment Trust Fund are recorded at fair value. Investments in the Local Government Surplus Funds Trust Fund are recorded at the Board's equity position in the fund's share price.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

9. Inventory

Inventory consists of gas, oil, automotive parts, road signs, culverts, and various other items used by the road department and insecticides used by mosquito control operations. Inventory is valued at cost (first in, first out). The cost is recorded as an expenditure at the time the inventory is purchased.

Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

10. Accounting for Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. No depreciation is provided for general fixed assets.

Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 - 50 years
Water Distribution	20 years
Improvements	10 - 20 years
Equipment	3 - 10 years

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 value on the date donated. Infrastructure (roads, bridges, curbs, etc.) is not recorded because such items are of value only to the Board.

The Board does not capitalize interest expense on borrowings used to finance construction of general fixed assets or fixed assets of proprietary fund types, as the capitalizable interest, after netting of interest earnings, is normally insignificant.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

11. Compensated Absences

In governmental fund types, the Board accrues the current portion of the liability for accumulated unpaid sick leave, annual leave or compensatory time that will be paid within the next fiscal year in the appropriate governmental funds. Amounts due in subsequent years are included in the General Long-Term Debt account group. Proprietary fund types accrue benefits in the period they are earned.

12. Property Taxes

Real and personal property valuations are determined each year as of January 1 by the Property Appraiser's office. Florida Statutes require that all property be assessed at 100% of just value.

All property taxes become due and payable on November 1 and are delinquent on April 1 of the following year. Discounts of 4%, 3%, 2% and 1% are allowed for early payment in November through February, respectively. The Tax Collector advertises as required by statute and sells tax certificates for unpaid taxes on real property. Certificates not sold are considered "County Held Certificates." Persons owning land upon which a tax certificate has been sold may redeem the land by paying the face amount of the tax certificate, plus interest and other costs.

13. Landfill Closure Costs

Under the terms of current state and federal regulations the Board is required to place a final cover on closed landfill areas and perform certain monitoring and maintenance functions for a period of up to thirty years after closure. The Board recognizes these costs of closure and post-closure maintenance over the active life of each landfill area, based on landfill capacity used during the period.

14. Allowance for Uncollectible Amounts

Historically, differences between receivables and amounts collected have been insignificant. Accordingly, no provision has been made for uncollectible amounts.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

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

15. Total Columns on Combined Statements

Total columns are presented only to facilitate financial analysis. Data in these columns do 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.

16. New Accounting Pronouncements

GASB Statements No. 34 and 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* are effective for the County for the year ending September 30, 2003. Statements No. 34 and 37 establish a financial reporting model for local governments, and require the County to utilize the economic resources measurement focus, as well as the accrual basis of accounting. Management has not yet completed its assessment of these statements, however, they will have a material effect on the overall financial statement presentation of the County.

NOTE B - CASH AND INVESTMENTS

At September 30, 2002, the bank held deposits of \$21,214,117 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

The Board's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

- a. Local Government Surplus Funds Trust Fund (SBA) (State Pool);
- b. Florida Local Government Investment Trust (FLGIT) (State Investment Trust);
- c. Qualified money market mutual funds;

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE B - CASH AND INVESTMENTS -- (Continued)

- d. U.S. Treasury bills, notes and bonds;
 - e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA);
 - f. Non-callable Government Agency securities:
 - (i) Federal Farm Credit Bank (FFCB),
 - (ii) Federal Home Loan Mortgage Corporation (FHLMC),
 - (iii) Federal Home Loan Bank (FHLB),
 - (iv) Federal National Mortgage Association (FNMA).
- This classification of government agency securities does not include any mortgage debt of any government agency;
- g. Time deposits and savings accounts in banks or savings and loan associations doing business in Florida (includes savings accounts, money market accounts, and certificates of deposit);
 - h. Tax-exempt obligations of the State of Florida and its various local governments;
 - i. Repurchase agreements for investments authorized in categories d, e, or f above.

Investments at September 30, 2002, are required to be categorized in accordance with GASB Statement No. 3 to indicate the level of credit risk assumed by the Board. The County had no investments at year-end that should be categorized. Investments in the Local Government Surplus Funds Trust Fund and the Florida Local Government Investment Trust are not categorized since the investments are not evidenced by securities that exist in physical or book entry form.

The Local Government Surplus Funds Trust Fund is similar to a mutual fund in that funds are available on a same day basis. As of September 30, 2002, the Local Government Surplus Funds Trust Fund had total investments of approximately \$13.9 billion. The portfolio's average maturity was 63 days. The County allocates interest earned on investments held in the Local Government Surplus Funds Trust Fund based on individual funds' principal balances. The Local Government Surplus Funds Trust Fund is a "2a-7" like pool and is subject to regulatory oversight as specified in Chapter 19-7 of the Florida Administrative Code.

The Florida Local Government Investment Trust is similar to a mutual fund in that funds are available on a same day basis. As of September 30, 2002, the Florida Local Government

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE B - CASH AND INVESTMENTS -- (Continued)

Investment Trust had total investments of approximately \$452 million. The portfolio's average maturity was 5.7 years. The County allocates interest earned on investments held in the Local Government Surplus Funds Trust Fund based on individual funds' principal balances.

Schedule of Cash and Investments at September 30, 2002

	Carrying Amount
<u>Non-Categorized Investments</u>	
Florida Local Government Investment Trust Fund	\$ 11,396,663
Local Government Surplus Funds Trust Fund	12,595,858
Total Investments	23,992,521
 <u>Cash</u>	
Cash in Bank	20,338,147
Petty Cash	1,128
Total Cash	20,339,275
Total Cash and Investments	\$ 44,331,796
 <u>Combined Balance Sheet Detail</u>	
Cash and Cash Equivalents	\$ 20,339,275
Investments	22,195,891
Restricted Assets	
Investments	1,796,630
Total Cash and Investments	\$ 44,331,796

Restricted cash and investments consist of funds set aside for the payment of debt and funds set aside to ensure assets producing the pledged revenues are repaired and replaced as needed. These assets are restricted since their use is limited by the applicable bond indentures. Other restricted assets consist of funds restricted to the payment of future landfill closure costs.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE B - CASH AND INVESTMENTS -- (Continued)

Restricted cash and investments by category and by fund are as follows:

	Enterprise Funds		
	Navarre Beach Fund	Landfill Fund	Total Enterprise
Bond reserve account	\$ 206,316	\$ --	\$ 206,316
Debt service	381,854	56,521	438,375
Landfill escrow	--	1,121,657	1,121,657
Renewal and replacement	<u>30,282</u>	<u>--</u>	<u>30,282</u>
	<u>\$ 618,452</u>	<u>\$ 1,178,178</u>	<u>\$ 1,796,630</u>

NOTE C - NONCASH INVESTING, FINANCING AND CAPITAL ACTIVITIES

There were no noncash investing, financing and capital activities during the year ended September 30, 2002.

NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS

At September 30, 2002, amounts due from other governmental units were as follows:

Excess Fees - Elected officials	\$ 3,380,163
State of Florida – Long Term Receivable	2,750,000
State of Florida - Taxes	1,058,760
State of Florida - Grants	2,027,232
City of Pensacola	40,850
Fines and Forfeitures	121,108
Other	<u>236,225</u>
Total	<u>\$ 9,614,338</u>

The long term receivable represents an advance of funds to the State of Florida to begin a road improvement project in the County. The State of Florida is scheduled to reimburse the County \$1 million during the year ended September 30, 2003 and \$1.75 million during the year ended September 30, 2004.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE E - NOTES RECEIVABLE

The Board has a \$448,014 note receivable due from a company relating to the sale of land in the Industrial Park. The note is payable in monthly installments of \$4,620 including interest at 7% through September 2014.

The Board has a \$1,035,843 note receivable due from a company relating to the sale of a building and land in the Industrial Park. The note is payable in monthly installments of \$7,521 including interest at 7% through April 2008. A balloon payment of \$968,498 is due in May 2008.

NOTE F - FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 7,066,973	\$ 826,562	--\$ 7,893,535	
Buildings	53,761,354	2,109,116	--	55,870,470
Improvements other than buildings	5,610,387	520,016	--	6,130,403
Furniture, fixtures and equipment	17,163,678	2,132,558	--	19,296,236
Construction in progress	<u>12,487</u>	<u>65,683</u>	<u>--</u>	<u>78,170</u>
Total	<u>\$83,614,879</u>	<u>\$ 5,653,935</u>	<u>\$ --</u>	<u>\$ 89,268,814</u>

At September 30, 2002, proprietary fund type property, plant, equipment, and other amortizable long-term assets consisted of the following:

	<u>Enterprise Funds</u>
Land	\$ 1,473,199
Buildings	1,366,471
Improvements other than buildings	13,460,533
Furniture, fixtures and equipment	<u>2,893,128</u>
	19,193,331
Less accumulated depreciation	<u>(10,080,032)</u>
Total	<u>\$ 9,113,299</u>
Depreciation expense	<u>\$ 891,285</u>

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE G - LONG-TERM DEBT

1. Changes in Long-Term Debt

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

	Balance October 1, <u>2001</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2002</u>
General long-term debt				
Compensated absences	\$ 2,454,732	\$ 307,751	\$ --	\$ 2,762,483
Revenue bonds	3,402,500	--	162,500	3,240,000
Notes payable	3,735,171	--	552,491	3,182,680
Special assessment notes	805,982	--	151,034	654,948
Proprietary debt				
Compensated absences	274,948	14,745	--	289,693
Landfill closure costs	6,487,354	301,911	--	6,789,265
Revenue bonds	<u>4,811,250</u>	<u>--</u>	<u>667,500</u>	<u>4,143,750</u>
Total	<u>\$21,971,937</u>	<u>\$ 624,407</u>	<u>\$ (1,533,525)</u>	<u>\$21,062,819</u>

Unamortized bond discounts totaling \$11,633 and deferred losses on refunding of bonds totaling \$136,746 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$96,978 at year-end.

2. Descriptions of Bonds and Notes

Bonds and notes payable at September 30, 2002, are comprised of the following:

General government - notes payable

\$1,250,000 note payable to City of Gulf Breeze, Florida
Local Government Loan Program - due in 20 annual principal
payments ranging from \$30,000 in 1989 to \$115,000 in 2008 -
interest due semi-annually at fixed rates of 7.1% and
7.75% through 1998 and 7.75% thereafter. \$ 650,000

\$155,000 Third Cent Tourist Development Tax Revenue Tax
Anticipation Note - due in 120 monthly payments of \$1,633 with
final payment due in 2007- interest due monthly at a fixed rate of 4.9%.
The note is secured by Third Cent Tourist Development Tax Revenues. 76,888

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE G - LONG-TERM DEBT

2. Descriptions of Bonds and Notes

<p>\$39,920 note payable to bank with a fixed rate of 6.75% for the Santa Rosa Clean Community System, Inc. (SRCCS) - due in annual payments of \$5,000 with final payment due 2006. The note is secured by a lien on the SRCCS property. Although this note is between the SRCCS and the bank, the obligation is recorded in the General Long-term Debt Account Group of Santa Rosa County as the County committed to funding this note at \$5,000 per year for fifteen years.</p>	22,147
<p>\$1,414,000 note payable to bank for construction of a recreation facility in District 5 - due in 33 quarterly payments of \$50,000 including interest at 3.86%, with final payment due in 2007. The note is secured by 8% of franchise fees from the Escambia River Electric Cooperative and Gulf Power.</p>	763,338
<p>\$1,140,000 note payable to bank for construction of a recreation facility in District 2 and refinancing of the 1998 note. The note is due in 28 quarterly payments of \$50,000, including interest at 4.53% with final payment due in 2008. The note is secured by 8% of franchise fees from the Escambia River Electric Cooperative and Gulf Power.</p>	916,054
<p>\$1,250,000 note payable to bank for construction of a recreation facility in District 4 - due in 30 quarterly payments ranging from \$34,600 - \$49,600 plus interest at 4.93%, with final payment due in 2007. The note is secured by 8% of franchise fees from the Escambia River Electric Cooperative and Gulf Power.</p>	754,253
<p>\$382,000 special assessment note payable to bank for capital improvements at Navarre Beach and Woodlore Subdivisions - due in monthly payments of \$3,914 including interest at 5.7% for 60 months through 2004, at which time the remaining principal balance shall be due. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. As of September 30, 2002,</p>	

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE G - LONG-TERM DEBT -- (Continued)

2. Descriptions of Bonds and Notes -- (Continued)

substantially all assessments were collected. The Board covenants to pay sufficient funds to cure any deficiencies in pledged revenues available for payment of the note. 80,572

\$250,000 special assessment note payable to bank for the construction of certain improvements to the Navarre Beach Fire Station and the purchase of certain fire equipment. Principal is due in 10 annual payments of \$25,000 with interest payable quarterly in arrears at 5.98% through 2005. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. All assessments were collected by year-end. 75,000

\$200,000 special assessment note payable to bank for construction of the Stanford Road water and sewer collection system. The principal is due in 10 annual payments from \$13,560 to \$48,746 with final payment due in 2006, and interest is payable in arrears in quarterly payments at an annual rate of 5.28%. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. 107,114

\$310,000 special assessment note payable to bank for the construction of the Wes Vic water and sewer collection system. The principal is due in 10 annual payments of \$31,000 through 2007, with interest due quarterly in arrears at 5.5%. Annual assessments are made against property owners sufficient to retire the maturing principal and interest. 155,000

\$92,000 special assessment note payable to bank for road paving improvements in the Central Parkway East MSBU. The principal is due in 9 annual payments through 2008, ranging from \$8,285 to \$12,401 with interest due quarterly in arrears at 5.17%. Annual assessments are made against property owners sufficient to retire the maturing principal and interest. 75,001

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE G - LONG-TERM DEBT -- (Continued)

2. Descriptions of Bonds and Notes -- (Continued)

\$72,000 special assessment note payable to bank for the construction of the Ski Watch Estates Subdivision MSBU water and sewer collection system. The note is due in 96 monthly payments of \$1,021 including principal and interest at 7.99% through 2008. Annual assessments are made against property owners sufficient to retire the maturing principal and interest. 50,509

\$59,000 special assessment note payable to bank for the acquisition and installation of a traffic signal on Highway 98. The note is due in 20 quarterly payments of \$3,378 including principal and interest at 5.23% with final payment due in 2006. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 45,276

\$72,800 special assessment note payable to bank for the construction of a residential sewage system along Del Mar Drive. The note is due in 36 quarterly payments of \$2,600 including principal and interest at 5.71% with final payment due in 2006. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 66,476

General government - bonds payable

\$6,535,000 Capital Improvement Revenue Refunding Bonds, Series 2000 - 4.5% - 4.875% serial bonds due in 15 annual installments of \$55,000 to \$610,000 from 2002 through 2016. Bonds are allocated 50% to the general long-term debt account group and 50% to the Landfill Fund. 3,240,000

Total general government bonds and notes payable \$ 7,077,628

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE G - LONG-TERM DEBT -- (Continued)

2. Descriptions of Bonds and Notes -- (Continued)

Proprietary fund type - bonds payable

Enterprise Fund - Landfill

\$6,535,000 Capital Improvement Revenue Refunding Bonds, Series 2000 - 4.5% - 4.875% serial bonds due in 15 annual installments of \$55,000 to \$610,000 from 2002 through 2016. Bonds are allocated 50% to the general long-term debt account group and 50% to the Landfill Fund. \$ 3,240,000

Enterprise Fund - Navarre Beach

\$3,050,000 Water and Sewer Refunding Revenue Bonds, Series 1998 - 4.39% to 4.41% serial bonds due in quarterly installments of \$126,250 through May 2003, and \$26,250 thereafter through May 2008. 903,750

Total proprietary fund type bonds payable \$ 4,143,750

3. Debt Service Requirements

The annual requirements to amortize all bonds and notes outstanding at September 30, 2002 including interest payments of \$3,264,439 are as follows:

Year Ending September 30,	<u>Bonds</u>		<u>Notes</u>		<u>Total</u>
	<u>General Government</u>	<u>Proprietary</u>	<u>General Government</u>	<u>Special Assessments</u>	
2003	\$ 317,619	\$ 754,116	\$ 747,594	\$ 187,655	\$ 2,006,984
2004	317,960	443,277	746,669	184,130	1,692,036
2005	320,490	441,123	745,359	134,170	1,641,142
2006	317,510	433,512	743,668	128,974	1,623,664
2007	319,320	430,692	551,403	67,116	1,368,531
2008 and After	<u>2,867,767</u>	<u>2,948,261</u>	<u>277,000</u>	<u>60,432</u>	<u>6,153,460</u>
	<u>\$ 4,460,666</u>	<u>\$ 5,450,981</u>	<u>\$ 3,811,693</u>	<u>\$ 762,477</u>	<u>\$ 14,485,817</u>

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE G - LONG-TERM DEBT -- (Continued)

4. Defeased Debt Outstanding

In prior years the Board defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the Board's financial statements. At September 30, 2002, approximately \$9 million of bonds are considered defeased.

NOTE H - CONDUIT DEBT OBLIGATIONS

From time to time Santa Rosa County has issued Industrial Development Revenue Bonds under the provisions of Chapter 159, Part II, Florida Statutes, to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the County, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Governmental Accounting Standards Board Interpretation No. 2 requires disclosure of the aggregate principal amount of conduit debt outstanding. If the aggregate amount outstanding is not determinable or reasonably estimable the original issue amount should be disclosed. The County has not completed determination of these amounts.

NOTE I - OPERATING LEASES

The County has entered into various lease agreements for office space. These leases are either on a month to month basis or for periods of one year. Rental expense for office space for the year ended September 30, 2002, was \$66,000.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE J - DEFERRED REVENUE

The Board has lease receivables outstanding on undeveloped properties. Amounts totaling \$12,062 were recorded as deferred revenue at year-end. Deferred revenues from advanced billings on Navarre Beach Leases totaled \$53,703. Additionally, \$346,285 relating to an infrastructure grant to replace the radio and communication systems at Whiting Field was recorded as deferred revenue in the general fund.

NOTE K - INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivables and payables at September 30, 2002, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	MSBU	\$ 135,000
General	Fine and Forfeiture	865,584
General	Insurance Clearing	437,000
General	Flex Benefits	7,500
Electricity Franchise	General	150,000
Self Insurance	Insurance Clearing	100,000
Insurance Clearing	General	1,330
Insurance Clearing	Self Insurance	398,221
		<u>\$ 2,094,635</u>

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE L - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the County to place a final cover on its landfills when the County stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6.8 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2002, represents the cumulative amount reported to date based on the following percentage usage of the estimated capacity of each of the County's landfills:

Central Class I Landfill	40%
Central Class III Landfill	Closed 10/98
Holley Landfill	Closed 06/94
Northwest Landfill	Closed 02/91

The remaining estimated cost of postclosure care for the Central Class III, Holley and Northwest landfills have been recognized in prior years with any changes in estimates being recorded in the current year. The County will recognize the remaining estimated cost of closure and postclosure care for the Central Class I landfill in the amount of \$4.2 million as its remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2002. The estimated remaining life of the Central Class I Landfill is 17 years. Cost of closure and life estimates are based on the areas currently in use, and not on potential areas of expansion. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. At September 30, 2002, the County held investments of \$1,121,657 to cover the escrow requirement of \$1,050,534. These investments are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE M - COMMITMENTS AND CONTINGENCIES

1. Retirement Plan

Participation - Employees of the Board participate in the Florida Retirement System (FRS), 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 Board contributed an average of 6.92% of each qualified regular employee's gross salary, 14.32% of the elected official's salary, 17.83% of each special risk employee's 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 \$816,254, \$926,248 and \$934,566 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 10 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 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 FRS 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 Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE M - COMMITMENTS AND CONTINGENCIES -- (Continued)

2. Litigation

The Board is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Board's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Board.

3. Federal and State Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time although the Board expects such amounts, if any, to be immaterial.

NOTE N - RESERVES

The following is a list of reserves used by the Board:

Reserved for Inventory - The General fund and Road and Bridge fund have \$8,698 and \$357,640 respectively, reserved for inventory to indicate that inventory does not represent available spendable resources even though it is a component of assets.

Reserved for Communications - The General fund has \$785,675 reserved for the enhancement of Emergency Medical Services and law enforcement communications.

Reserved for Animal Services Education - The General fund has \$31,439 reserved for use in educating the public on spaying and neutering.

Reserved for Debt Service - The General fund has \$106,878 and the Debt Service fund has \$25,351 reserved for debt service resources legally restricted to the payment of long-term debt principal and interest amounts maturing in future years.

Reserved for Forfeited Property - The Fine and Forfeiture fund has \$70,190 reserved for assets to be used for appropriation to the Sheriff primarily to defray costs of protracted or complex investigations, to provide technical equipment, or to provide matching funds to obtain federal grants.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE N - RESERVES -- (Continued)

Reserved for Boating Improvements - The General fund has \$220,637 of monies received from the Marine Resources Conservation Trust Fund reserved for recreational channel marking, public launching facilities and other boating-related activities.

Reserved for Tourist Development - The Local Option Tourist Tax fund has \$457,612 reserved for tourist development activities.

Reserved for Gas and Oil Preservation - The Gas and Oil fund has \$5,604,525 reserved to indicate that assets of the gas and oil preservation fund are restricted and do not represent available, spendable resources, except in emergency situations.

Reserved for Construction - The Capital Project funds have \$1,975,431 reserved for construction commitments.

Reserved for Bond Indenture - The Navarre Beach fund has \$30,282 reserved for renewal and replacement of the water and sewer system.

Reserved for Long-Term Intergovernmental Receivable - The General Fund has reserved \$25,000, the Road and Bridge Fund has reserved \$137,717, and the Electricity Franchise Fee fund has reserved \$1,750,000 to indicate that these receivables are not available spendable resources.

NOTE O - PROPERTY TAXES - REVENUE RECOGNITION

Property taxes levied on property valuations as of January 1, 2002, and expected to be collected during the period November 2002 through March 2003 are as follows:

General Fund	\$ 10,550,970
Road and Bridge Fund	\$ 1,896,780
Fine and Forfeiture Fund	\$ 19,289,090

These taxes, although measurable, are not recognized as revenue at September 30, 2002, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE P - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Board maintains four enterprise funds consisting of water, sewer and lease operations of Navarre Beach, solid waste disposal operations of the Landfill Fund, hanger facilities at Peter Prince Field and the Industrial Park. Segment information for the year ended September 30, 2002, is as follows:

	<u>Navarre Beach</u>	<u>Landfill</u>	<u>Peter Prince Airport</u>	<u>Industrial Park</u>
Operating revenues	\$ 1,629,323	\$ 2,094,586	\$ 159,821	\$ 3,844
Depreciation and amortization expense	377,644	374,353	187,959	--
Operating income (loss)	204,805	115,880	(104,799)	(34,463)
Interest income	99,700	60,207	3,736	125,859
Interest expense	50,673	148,850	--	--
Intergovernmental revenues - Grants	8,162	--	--	--
Operating transfers out	2,576,558	--	2,140	--
Net income (loss)	(2,344,123)	(21,875)	(103,203)	315,751
Property, plant and equipment:				
Additions	23,081	59,193	8,500	--
Deletions	--	24,015	--	1,445
Net working capital	2,953,622	2,077,187	224,248	1,408,595
Total assets	6,382,293	7,100,826	2,450,421	3,343,658
Bonds and other long term liabilities	973,501	9,918,393	--	--
Retained earnings (accumulated deficit)	2,948,743	(5,984,041)	(84,584)	1,615,261
Contributed capital	2,361,764	2,867,648	2,521,866	1,726,818
Total equity (deficit)	5,310,507	(3,116,393)	2,437,282	3,342,079

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE Q - RISK MANAGEMENT

The County 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. In 1986, the County 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

Conventional insurance remains in effect for buildings, contents and Sheriff's general, automobile and professional liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Board and other County elected officials participate in the program and make payments to the Self-Insurance Fund based on historical estimates by management of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. The claims liability of \$2,822,895 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE Q - RISK MANAGEMENT -- (Continued)

Liabilities for incurred losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using an expected future investment yield assumption of 5.5%. These liabilities are reported at their present value of \$1,108,372 at September 30, 2002. Changes in the Fund's claims liability amount in fiscal years 2001 and 2002 were as follows:

	Beginning-of- Fiscal-Year Liability <u>(as restated)</u>	Current-Year Claims and Changes in <u>Estimates</u>	<u>Claim Payments</u>	Balance at Fiscal <u>Year-End</u>
2000 - 2001	\$ 2,461,089	\$ 1,127,395	\$ 1,111,153	\$ 2,477,331
2001 - 2002	\$ 2,477,331	\$ 2,061,641	\$ 1,716,077	\$ 2,822,895

The following table presents a summary of the claims payable liability at year-end:

Current claims payable	\$1,714,523
Current claims – structured settlements	<u>96,100</u>
Total claims payable – current	1,810,623
Long term claims – structured settlements	<u>1,012,272</u>
Total claims payable	<u>\$2,822,895</u>

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, excluding the Sheriff. The County pays an annual premium as a participant of the pooled liability program. During 1994, the first year of participation, the County paid an extraordinary loss fund payment of \$249,886. The liability coverage is not designed to be assessable; however, should the pool fail to meet its obligations, the County may be required to contribute additional funds or cover its own obligations. No accrual for future assessments has been recorded in the balance sheet as such assessments do not appear probable based on past experience of the pool, and experience of the pool subsequent to the County's fiscal year-end through the date of these financial statements. In the event the County elected to terminate its participation in the pool, the extraordinary loss fund payment would be refunded to the County, given adequate funding of the pool.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE R - COMPLIANCE AND ACCOUNTABILITY

Accumulated Deficits

Landfill Fund - The deficit in this fund results from the cumulative effect of the following:

Adoption of GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", which requires recognition of costs of closure and postclosure maintenance over the active life of each landfill area, based on landfill capacity used during the period.

Depreciation charged against operations.

Loss on bond refunding of \$443,769 in 1992.

Transfer of working capital to other funds.

Peter Prince Field Fund - The deficit in this fund primarily relates to depreciation charged against operations.

Self-Insurance Fund - The deficit in this fund primarily relates to accruals for the net present value of settled claims.

The Board of County Commissioners and the Directors of these funds will evaluate the operation of each of these funds to determine if an increase in fees will be necessary to generate enough revenues to offset expenditures.

Santa Rosa County, Florida Board of County Commissioners
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

NOTE S - PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2002, a change was made to the retained earnings of the self insurance fund to accrue the net present value of future payments under settled claims. These losses were incurred prior to the year ended September 30, 2001 but were not previously recognized by the Board. The adjustment decreased retained earnings and increased claims payable by \$356,724.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Road and Bridge Fund - accounts for various tax assessments and other revenues designated to be used for the maintenance of the county's roads and bridges.

Fine and Forfeiture Fund - accounts for income from fines and forfeitures and various other assessments used for law enforcement purposes.

Gas and Oil Preservation Fund - accounts for assets accumulated from prior years attributable to non-recurring gas and oil tax revenues.

State Matching Program Fund - accounts for state and local funding used for mosquito and other arthropod control.

Enhanced 911 Telephone System Fund - accounts for funds used to maintain the 911 telephone system.

State Housing Initiative Partnership Fund - accounts for state funds received to provide housing assistance to low and middle income families.

Local Option Tourist Tax Fund - accounts for tax revenues to be used for tourist development activities.

Highway 87 Sewer Project - accounts for federal grant funds passed through the state as a Community Development Block Grant for specified construction projects.

Electricity Franchise Fee - accounts for revenues restricted through debt covenants.

Municipal Service Benefits Units (MSBUs) - accounts for special assessments levied against property owners for capital improvements or services rendered for benefit of the affected areas.

Disaster Fund - accounts for funds received to provide disaster relief after hurricanes and other disasters.

**Santa Rosa County, Florida Board of County Commissioners
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
September 30, 2002**

	Road and Bridge	Fine and Forfeiture	Gas and Oil Preservation	State Matching Program	Enhanced 911 Telephone System	State Housing Initiative Partnership
ASSETS						
Cash and cash equivalents	\$ 1,477,291	\$ --	\$ 2,936	\$ 27,171	\$ 15,953	\$ 1,246,990
Investments	1,667,567	474,900	5,601,589	110,991	298,008	451,928
Accounts receivable, net of uncollectibles	2,980	2,818	--	--	32,736	--
Due from other governments	1,544,443	3,326,492	--	7,403	7,335	92,893
Due from other funds	--	--	--	--	--	--
Advances to other funds	137,717	--	--	--	--	--
Inventory	357,640	--	--	--	--	--
Total assets	\$ 5,187,638	\$ 3,804,210	\$ 5,604,525	\$ 145,565	\$ 354,032	\$ 1,791,811
LIABILITIES						
Accounts payable	\$ 468,750	\$ 176,789	\$ --	\$ 19,951	\$ 27,563	\$ 15,012
Accrued compensation	181,575	32,855	--	--	3,588	--
Due to other funds	--	865,584	--	--	--	--
Total liabilities	650,325	1,075,228	--	19,951	31,151	15,012
FUND EQUITY						
Fund balances						
Reserved for forfeited property	--	70,190	--	--	--	--
Reserved for gas and oil preservation	--	--	5,604,525	--	--	--
Reserved for inventory	357,640	--	--	--	--	--
Reserved for tourist development	--	--	--	--	--	--
Reserved for advances	137,717	--	--	--	--	--
Reserved for long term govt. receivable	--	--	--	--	--	--
Unreserved	4,041,956	2,658,792	--	125,614	322,881	1,776,799
Total fund balances	4,537,313	2,728,982	5,604,525	125,614	322,881	1,776,799
Total liabilities and fund equity	\$ 5,187,638	\$ 3,804,210	\$ 5,604,525	\$ 145,565	\$ 354,032	\$ 1,791,811

Continued ...

**Santa Rosa County, Florida Board of County Commissioners
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS -- (Continued)
September 30, 2002**

	Local Option Tourist Tax	Highway 87 Sewer Project	Electricity Franchise Fee	MSBUs	Disaster Fund	Totals
ASSETS						
Cash and cash equivalents	\$ 172,094	\$ 3,290	\$ 5,602,132	\$ 394,469	\$ 31,204	\$ 8,973,530
Investments	303,202	--	935,464	227,296	38,126	10,109,071
Accounts receivable, net of uncollectibles	--	--	635,098	14,749	--	688,381
Due from other governments	7,520	--	2,750,000	--	--	7,736,086
Due from other funds	--	--	150,000	--	--	150,000
Advances to other funds	--	--	--	--	--	137,717
Inventory	--	--	--	--	--	357,640
	<u>482,816</u>	<u>3,290</u>	<u>10,072,694</u>	<u>636,514</u>	<u>69,330</u>	<u>28,152,425</u>
Total assets	<u>\$ 482,816</u>	<u>\$ 3,290</u>	<u>\$ 10,072,694</u>	<u>\$ 636,514</u>	<u>\$ 69,330</u>	<u>\$ 28,152,425</u>
LIABILITIES						
Accounts payable	\$ 25,204	\$ --	\$ --	\$ 81,248	\$ --	\$ 814,517
Accrued compensation	--	--	--	--	--	218,018
Advances from other funds	--	--	--	137,717	--	137,717
Due to other funds	--	--	--	135,000	--	1,000,584
	<u>25,204</u>	<u>--</u>	<u>--</u>	<u>353,965</u>	<u>--</u>	<u>2,170,836</u>
Total liabilities	<u>25,204</u>	<u>--</u>	<u>--</u>	<u>353,965</u>	<u>--</u>	<u>2,170,836</u>
FUND EQUITY						
Fund balances						
Reserved for forfeited property	--	--	--	--	--	70,190
Reserved for gas and oil preservation	--	--	--	--	--	5,604,525
Reserved for inventory	--	--	--	--	--	357,640
Reserved for tourist development	457,612	--	--	--	--	457,612
Reserved for advances	--	--	--	--	--	137,717
Reserved for long term govt. receivable	--	--	1,750,000	--	--	1,750,000
Unreserved	--	3,290	8,322,694	282,549	69,330	17,603,905
	<u>457,612</u>	<u>3,290</u>	<u>10,072,694</u>	<u>282,549</u>	<u>69,330</u>	<u>25,981,589</u>
Total fund balances	<u>457,612</u>	<u>3,290</u>	<u>10,072,694</u>	<u>282,549</u>	<u>69,330</u>	<u>25,981,589</u>
Total liabilities and fund equity	<u>\$ 482,816</u>	<u>\$ 3,290</u>	<u>\$ 10,072,694</u>	<u>\$ 636,514</u>	<u>\$ 69,330</u>	<u>\$ 28,152,425</u>

Santa Rosa County, Florida Board of County Commissioners
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
Year ended September 30, 2002

	Road and Bridge	Fine and Forfeiture	Gas and Oil Preservation	State Matching Program	Enhanced 911 Telephone System	State Housing Initiative Partnership
Revenues						
Taxes	\$ 4,914,967	\$ 17,765,531	\$ --	\$ --	\$ --	\$ --
Intergovernmental	3,987,688	94,353	--	29,589	--	1,277,188
Charges for services	70,658	4,959,888	--	--	466,791	--
Fines and forfeits	--	1,532,027	--	--	--	--
Miscellaneous	272,049	124,624	358,763	2,452	12,478	25,793
Total revenues	9,245,362	24,476,423	358,763	32,041	479,269	1,302,981
Expenditures						
Current						
General government	--	3,802,853	--	--	--	--
Public safety	273,985	21,722,141	--	--	436,559	--
Physical environment	--	--	--	--	--	--
Transportation	11,496,077	--	--	--	--	--
Economic environment	--	--	--	--	--	1,044,607
Human services	--	--	--	32,037	--	--
Total expenditures	11,770,062	25,524,994	--	32,037	436,559	1,044,607
Excess (deficiency) of revenues over expenditures	(2,524,700)	(1,048,571)	358,763	4	42,710	258,374
Other financing sources (uses)						
Operating transfers in	1,556,450	--	--	--	--	--
Operating transfers out	(41,827)	--	(585,000)	--	(6,249)	(127,980)
Total other financing sources (uses)	1,514,623	--	(585,000)	--	(6,249)	(127,980)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,010,077)	(1,048,571)	(226,237)	4	36,461	130,394
Fund balance, beginning of year	5,562,953	3,777,553	5,830,762	125,610	286,420	1,646,405
Change in reserve for inventory	(15,563)	--	--	--	--	--
Fund balance, end of year	\$ 4,537,313	\$ 2,728,982	\$ 5,604,525	\$ 125,614	\$ 322,881	\$ 1,776,799

Continued ...

Santa Rosa County, Florida Board of County Commissioners
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS -- (Continued)
Year ended September 30, 2002

	Local Option Tourist Tax	Highway 87 Sewer Project	Electricity Franchise Fee	MSBUs	Disaster Fund	Totals
Revenues						
Taxes	\$ 587,679	\$ --	\$ 3,227,161	\$ 23	\$ --	\$ 26,495,361
Intergovernmental	7,519	--	--	--	--	5,396,337
Charges for services	--	--	--	--	--	5,497,337
Fines and forfeits	--	--	--	--	--	1,532,027
Miscellaneous	6,926	62	123,127	1,535,249	5,605	2,467,128
Total revenues	602,124	62	3,350,288	1,535,272	5,605	41,388,190
Expenditures						
Current						
General government	--	--	--	--	--	3,802,853
Public safety	--	--	--	1,105,757	--	23,538,442
Physical environment	--	--	--	113,570	--	113,570
Transportation	--	--	--	669,131	--	12,165,208
Economic environment	551,688	--	--	--	--	1,596,295
Human services	--	--	--	--	--	32,037
Total expenditures	551,688	--	--	1,888,458	--	41,248,405
Excess (deficiency) of revenues over expenditures	50,436	62	3,350,288	(353,186)	5,605	139,785
Other financing sources (uses)						
Operating transfers in	--	--	--	220,047	--	1,776,497
Operating transfers out	(19,655)	--	(3,458,185)	(210,106)	(400,000)	(4,849,002)
Total other financing sources (uses)	(19,655)	--	(3,458,185)	9,941	(400,000)	(3,072,505)
Excess (deficiency) of revenues and other sources over expenditures and other uses	30,781	62	(107,897)	(343,245)	(394,395)	(2,932,720)
Fund balance, beginning of year	426,831	3,228	10,180,591	625,794	463,725	28,929,872
Change in reserve for inventory	--	--	--	--	--	(15,563)
Fund balance, end of year	\$ 457,612	\$ 3,290	\$ 10,072,694	\$ 282,549	\$ 69,330	\$ 25,981,589

**Santa Rosa County, Florida Board of County Commissioners
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 Year ended September 30, 2002**

	Road and Bridge Fund			Fine and Forfeiture Fund			Gas and Oil Preservation Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes	\$ 4,822,590	\$ 4,914,967	\$ 92,377	\$ 17,430,330	\$ 17,765,531	\$ 335,201	\$ --	\$ --	\$ --
Intergovernmental	4,820,864	3,987,688	(833,176)	24,600	94,353	69,753	--	--	--
Charges for services	30,459	70,658	40,199	3,690,640	4,959,888	1,269,248	--	--	--
Fines and forfeits	--	--	--	1,485,800	1,532,027	46,227	--	--	--
Miscellaneous	431,000	272,049	(158,951)	294,500	124,624	(169,876)	285,000	358,763	73,763
Total revenues	10,104,913	9,245,362	(859,551)	22,925,870	24,476,423	1,550,553	285,000	358,763	73,763
Expenditures									
Current									
General government	--	--	--	3,803,470	3,802,853	617	--	--	--
Public safety	299,000	273,985	25,015	21,717,852	21,722,141	(4,289)	--	--	--
Physical environment	--	--	--	--	--	--	--	--	--
Transportation	14,326,163	11,496,077	2,830,086	--	--	--	--	--	--
Economic environment	--	--	--	--	--	--	--	--	--
Human services	--	--	--	--	--	--	--	--	--
Total expenditures	14,625,163	11,770,062	2,855,101	25,521,322	25,524,994	(3,672)	--	--	--
Excess (deficiency) of revenues over expenditures	(4,520,250)	(2,524,700)	1,995,550	(2,595,452)	(1,048,571)	1,546,881	285,000	358,763	73,763
Other financing sources (uses)									
Operating transfers in	1,556,450	1,556,450	--	--	--	--	--	--	--
Operating transfers out	(179,544)	(41,827)	137,717	--	--	--	(585,000)	(585,000)	--
Other uses	(2,131,029)	--	2,131,029	(93,245)	--	93,245	--	--	--
Debt proceeds	--	--	--	--	--	--	--	--	--
Total other financing sources (uses)	(754,123)	1,514,623	2,268,746	(93,245)	--	93,245	(585,000)	(585,000)	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,274,373)	(1,010,077)	4,264,296	(2,688,697)	(1,048,571)	1,640,126	(300,000)	(226,237)	73,763
Fund balance, beginning of year	5,274,373	5,562,953	288,580	2,688,697	3,777,553	1,088,856	300,000	5,830,762	5,530,762
Change in reserve for inventory	--	(15,563)	(15,563)	--	--	--	--	--	--
Fund balance, end of year	\$ --	\$ 4,537,313	\$ 4,537,313	\$ --	\$ 2,728,982	\$ 2,728,982	\$ --	\$ 5,604,525	\$ 5,604,525

Continued...

**Santa Rosa County, Florida Board of County Commissioners
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -- (Continued)
 ALL SPECIAL REVENUE FUNDS
 Year ended September 30, 2002**

	State Matching Program			Enhanced 911 Telephone System		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Intergovernmental	\$ 28,220	\$ 29,589	\$ 1,369	\$ --	\$ --	\$ --
Charges for services	--	--	--	400,150	466,791	66,641
Fines and forfeits	--	--	--	--	--	--
Miscellaneous	--	2,452	2,452	4,750	12,478	7,728
Total revenues	28,220	32,041	3,821	404,900	479,269	74,369
Expenditures						
Current						
General government	--	--	--	--	--	--
Public safety	--	--	--	436,559	436,559	--
Physical environment	--	--	--	--	--	--
Transportation	--	--	--	--	--	--
Economic environment	--	--	--	--	--	--
Human services	36,226	32,037	4,189	--	--	--
Total expenditures	36,226	32,037	4,189	436,559	436,559	--
Excess (deficiency) of revenues over expenditures	(8,006)	4	8,010	(31,659)	42,710	74,369
Other financing sources (uses)						
Operating transfers in	--	--	--	--	--	--
Operating transfers out	--	--	--	(6,249)	(6,249)	--
Other uses	(38,274)	--	38,274	--	--	--
Debt proceeds	--	--	--	--	--	--
Total other financing sources (uses)	(38,274)	--	38,274	(6,249)	(6,249)	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	(46,280)	4	46,284	(37,908)	36,461	74,369
Fund balance, beginning of year	46,280	125,610	79,330	37,908	286,420	248,512
Change in reserve for inventory	--	--	--	--	--	--
Fund balance, end of year	\$ --	\$ 125,614	\$ 125,614	\$ --	\$ 322,881	\$ 322,881

**Santa Rosa County, Florida Board of County Commissioners
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -- (Continued)
ALL SPECIAL REVENUE FUNDS
Year ended September 30, 2002**

	State Housing Initiative Partnership			Local Option Tourist Tax			Highway 87		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Taxes	\$ --	\$ --	\$ --	\$ 419,350	\$ 587,679	\$ 168,329	\$ --	\$ --	\$ --
Intergovernmental	1,017,579	1,277,188	259,609	29,501	7,519	(21,982)	--	--	--
Charges for services	--	--	--	--	--	--	--	--	--
Fines and forfeits	--	--	--	--	--	--	--	--	--
Miscellaneous	64,801	25,793	(39,008)	14,500	6,926	(7,574)	--	62	62
Total revenues	1,082,380	1,302,981	220,601	463,351	602,124	138,773	--	62	62
Expenditures									
Current									
General government	--	--	--	--	--	--	--	--	--
Public safety	--	--	--	--	--	--	--	--	--
Physical environment	--	--	--	--	--	--	--	--	--
Transportation	--	--	--	--	--	--	--	--	--
Economic environment	1,131,050	1,044,607	86,443	556,601	551,688	4,913	--	--	--
Human services	--	--	--	--	--	--	--	--	--
Total expenditures	1,131,050	1,044,607	86,443	556,601	551,688	4,913	--	--	--
Excess (deficiency) of revenues over expenditures	(48,670)	258,374	307,044	(93,250)	50,436	143,686	--	62	62
Other financing sources (uses)									
Operating transfers in	--	--	--	--	--	--	--	--	--
Operating transfers out	(127,980)	(127,980)	--	(19,655)	(19,655)	--	--	--	--
Other uses	--	--	--	--	--	--	--	--	--
Debt proceeds	--	--	--	--	--	--	--	--	--
Total other financing sources (uses)	(127,980)	(127,980)	--	(19,655)	(19,655)	--	--	--	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	(176,650)	130,394	307,044	(112,905)	30,781	143,686	--	62	62
Fund balance, beginning of year	176,650	1,646,405	1,469,755	112,905	426,831	313,926	--	3,228	3,228
Change in reserve for inventory	--	--	--	--	--	--	--	--	--
Fund balance, end of year	\$ --	\$ 1,776,799	\$ 1,776,799	\$ --	\$ 457,612	\$ 457,612	\$ --	\$ 3,290	\$ 3,290

**Santa Rosa County, Florida Board of County Commissioners
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -- (Continued)
 ALL SPECIAL REVENUE FUNDS
 Year ended September 30, 2002**

	Electricity Franchise Fee			MSBUs		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 2,850,000	\$ 3,227,161	\$ 377,161	\$ --	\$ 23	\$ 23
Intergovernmental	--	--	--	--	--	--
Charges for services	--	--	--	--	--	--
Fines and forfeits	--	--	--	--	--	--
Miscellaneous	--	123,127	123,127	1,517,496	1,535,249	17,753
Total revenues	2,850,000	3,350,288	500,288	1,517,496	1,535,272	17,776
Expenditures						
Current						
General government	--	--	--	--	--	--
Public safety	--	--	--	1,106,622	1,105,757	865
Physical environment	--	--	--	113,698	113,570	128
Transportation	--	--	--	1,252,156	669,131	583,025
Economic environment	--	--	--	--	--	--
Human services	--	--	--	--	--	--
Total expenditures	--	--	--	2,472,476	1,888,458	584,018
Excess (deficiency) of revenues over expenditures	2,850,000	3,350,288	500,288	(954,980)	(353,186)	601,794
Other financing sources (uses)						
Operating transfers in	--	--	--	357,764	220,047	(137,717)
Operating transfers out	(3,458,185)	(3,458,185)	--	(210,106)	(210,106)	--
Other uses	(9,572,406)	--	9,572,406	(21,352)	--	21,352
Debt proceeds	--	--	--	530,320	--	(530,320)
Total other financing sources (uses)	(13,030,591)	(3,458,185)	9,572,406	656,626	9,941	(646,685)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(10,180,591)	(107,897)	10,072,694	(298,354)	(343,245)	(44,891)
Fund balance, beginning of year	10,180,591	10,180,591	--	298,354	625,794	327,440
Change in reserve for inventory	--	--	--	--	--	--
Fund balance, end of year	\$ --	\$ 10,072,694	\$ 10,072,694	\$ --	\$ 282,549	\$ 282,549

**Santa Rosa County, Florida Board of County Commissioners
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -- (Continued)
 ALL SPECIAL REVENUE FUNDS
 Year ended September 30, 2002**

	Disaster Fund			Totals		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ --	\$ --	\$ --	\$ 25,522,270	\$ 26,495,361	\$ 973,091
Intergovernmental	--	--	--	5,920,764	5,396,337	(524,427)
Charges for services	--	--	--	4,121,249	5,497,337	1,376,088
Fines and forfeits	--	--	--	1,485,800	1,532,027	46,227
Miscellaneous	--	5,605	5,605	2,612,047	2,467,128	(144,919)
Total revenues	--	5,605	5,605	39,662,130	41,388,190	1,726,060
Expenditures						
Current						
General government	--	--	--	3,803,470	3,802,853	617
Public safety	--	--	--	23,560,033	23,538,442	21,591
Physical environment	--	--	--	113,698	113,570	128
Transportation	--	--	--	15,578,319	12,165,208	3,413,111
Economic environment	--	--	--	1,687,651	1,596,295	91,356
Human services	--	--	--	36,226	32,037	4,189
Total expenditures	--	--	--	44,779,397	41,248,405	3,530,992
Excess (deficiency) of revenues over expenditures	--	5,605	5,605	(5,117,267)	139,785	5,257,052
Other financing sources (uses)						
Operating transfers in	--	--	--	1,914,214	1,776,497	(137,717)
Operating transfers out	(400,000)	(400,000)	--	(4,986,719)	(4,849,002)	137,717
Other uses	--	--	--	(11,856,306)	--	11,856,306
Debt proceeds	--	--	--	530,320	--	(530,320)
Total other financing sources (uses)	(400,000)	(400,000)	--	(14,398,491)	(3,072,505)	11,325,986
Excess (deficiency) of revenues and other sources over expenditures and other uses	(400,000)	(394,395)	5,605	(19,515,758)	(2,932,720)	16,583,038
Fund balance, beginning of year	400,000	463,725	63,725	19,515,758	28,929,872	9,414,114
Change in reserve for inventory	--	--	--	--	(15,563)	(15,563)
Fund balance, end of year	\$ --	\$ 69,330	\$ 69,330	\$ --	\$ 25,981,589	\$ 25,981,589

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

District One Capital Projects Fund - accounts for the construction of sports and recreation facilities in District One.

District Two Capital Projects Fund - accounts for the construction of sports and recreation facilities in District Two.

District Three Capital Projects Fund - accounts for the construction of sports and recreation facilities in District Three.

District Four Capital Projects Fund - accounts for the construction of sports and recreation facilities in District Four.

District Five Capital Projects Fund - accounts for the construction of sports and recreation facilities in District Five.

All Other Fund - accounts for the purchase or construction of other capital facilities which are not financed by proprietary funds or trust funds.

**Santa Rosa County, Florida Board of County Commissioners
 COMBINING BALANCE SHEET
 CAPITAL PROJECT FUNDS
 September 30, 2002**

ASSETS	District 1 Project	District 2 Project	District 3 Project
Cash and cash equivalents	\$ 7,086	\$ 438,062	\$ 3,784
Investments	299,808	173,068	89,697
Due from other governments	81,499	--	81,499
	<u>388,393</u>	<u>611,130</u>	<u>174,980</u>
Total assets	<u>\$ 388,393</u>	<u>\$ 611,130</u>	<u>\$ 174,980</u>
LIABILITIES			
Accounts payable	\$ --	\$ 84,656	\$ --
FUND EQUITY			
Fund balances			
Reserved for construction projects	388,393	526,474	174,980
Unreserved	--	--	--
	<u>388,393</u>	<u>526,474</u>	<u>174,980</u>
Total fund balances	<u>388,393</u>	<u>526,474</u>	<u>174,980</u>
Total liabilities and fund equity	<u>\$ 388,393</u>	<u>\$ 611,130</u>	<u>\$ 174,980</u>

Continued ...

**Santa Rosa County, Florida Board of County Commissioners
 COMBINING BALANCE SHEET
 CAPITAL PROJECT FUNDS -- (Continued)
 September 30, 2002**

ASSETS	District 4 Project	District 5 Project	All other	Totals
Cash and cash equivalents	\$ 3,270	\$ 34,678	\$ 3,045,768	\$ 3,532,648
Investments	747,211	100,425	206,617	1,616,826
Due from other governments	--	--	162,053	325,051
 Total assets	 <u>\$ 750,481</u>	 <u>\$ 135,103</u>	 <u>\$ 3,414,438</u>	 <u>\$ 5,474,525</u>
 LIABILITIES				
Accounts payable	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 418,066</u>	<u>\$ 502,722</u>
 FUND EQUITY				
Fund balances				
Reserved for construction projects	750,481	135,103	--	1,975,431
Unreserved	<u>--</u>	<u>--</u>	<u>2,996,372</u>	<u>2,996,372</u>
 Total fund balances	 <u>750,481</u>	 <u>135,103</u>	 <u>2,996,372</u>	 <u>4,971,803</u>
 Total liabilities and fund equity	 <u>\$ 750,481</u>	 <u>\$ 135,103</u>	 <u>\$ 3,414,438</u>	 <u>\$ 5,474,525</u>

**Santa Rosa County, Florida Board of County Commissioners
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUNDS
 Year ended September 30, 2002**

	District 1 Project	District 2 Project	District 3 Project
Revenues			
Intergovernmental	\$ 81,499	\$ --	\$ 81,499
Miscellaneous	9,216	26,028	9,002
Total revenues	<u>90,715</u>	<u>26,028</u>	<u>90,501</u>
Expenditures			
Capital outlay	--	608,100	36,341
Total expenditures	<u>--</u>	<u>608,100</u>	<u>36,341</u>
Excess (deficiency) of revenues over expenditures	<u>90,715</u>	<u>(582,072)</u>	<u>54,160</u>
Other financing sources (uses)			
Operating transfers in	270,125	70,125	270,125
Operating transfers out	(572,540)	(22,500)	(572,540)
Total other financing sources (uses)	<u>(302,415)</u>	<u>47,625</u>	<u>(302,415)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(211,700)	(534,447)	(248,255)
Fund balance, beginning of year	<u>600,093</u>	<u>1,060,921</u>	<u>423,235</u>
Fund balance, end of year	<u>\$ 388,393</u>	<u>\$ 526,474</u>	<u>\$ 174,980</u>

Continued ...

**Santa Rosa County, Florida Board of County Commissioners
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS -- (Continued)
Year ended September 30, 2002**

	District 4 Project	District 5 Project	All other	Totals
Revenues				
Intergovernmental	\$ --	\$ --	\$ 162,053	\$ 325,051
Miscellaneous	10,357	4,013	77,904	136,520
Total revenues	10,357	4,013	239,957	461,571
Expenditures				
Capital outlay	226,236	81,099	2,468,030	3,419,806
Total expenditures	226,236	81,099	2,468,030	3,419,806
Excess (deficiency) of revenues over expenditures	(215,879)	(77,086)	(2,228,073)	(2,958,235)
Other financing sources (uses)				
Operating transfers in	901,431	81,511	1,742,060	3,335,377
Operating transfers out	(76,500)	(42,500)	--	(1,286,580)
Total other financing sources (uses)	824,931	39,011	1,742,060	2,048,797
Excess (deficiency) of revenues and other sources over expenditures and other uses	609,052	(38,075)	(486,013)	(909,438)
Fund balance, beginning of year	141,429	173,178	3,482,385	5,881,241
Fund balance, end of year	\$ 750,481	\$ 135,103	\$ 2,996,372	\$ 4,971,803

**Santa Rosa County, Florida Board of County Commissioners
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS
Year ended September 30, 2002**

	District 1 Project			District 2 Project		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Intergovernmental	\$ 81,499	\$ 81,499	\$ --	\$ --	\$ --	\$ --
Miscellaneous	--	9,216	9,216	--	26,028	26,028
Total revenues	81,499	90,715	9,216	--	26,028	26,028
Expenditures						
Capital outlay	--	--	--	833,552	608,100	225,452
Total expenditures	--	--	--	833,552	608,100	225,452
Excess (deficiency) of revenues over expenditures	81,499	90,715	9,216	(833,552)	(582,072)	251,480
Other financing sources (uses)						
Operating transfers in	270,125	270,125	--	70,125	70,125	--
Operating transfers out	(572,540)	(572,540)	--	(22,500)	(22,500)	--
Other uses	(379,176)	--	379,176	(274,994)	--	274,994
Total other financing sources (uses)	(681,591)	(302,415)	379,176	(227,369)	47,625	274,994
Excess (deficiency) of revenues and other sources over expenditures and other uses	(600,092)	(211,700)	388,392	(1,060,921)	(534,447)	526,474
Fund balance, beginning of year	600,092	600,093	1,200,186	1,060,921	1,060,921	2,122,002
Fund balance, end of year	\$ --	\$ 388,393	\$ 388,393	\$ --	\$ 526,474	\$ 526,474

Continued ...

**Santa Rosa County, Florida Board of County Commissioners
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS -- (Continued)
 Year ended September 30, 2002**

	District 3 Project			District 4 Project			District 5 Project		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Intergovernmental	\$ 81,499	\$ 81,499	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Miscellaneous	--	9,002	9,002	--	10,357	10,357	3,500	4,013	513
Total revenues	81,499	90,501	9,002	--	10,357	10,357	3,500	4,013	513
Expenditures									
Culture/Recreation	--	--	--	--	--	--	1,385	--	1,385
Capital outlay	40,512	36,341	4,171	957,755	226,236	731,519	111,825	81,099	30,726
Total expenditures	40,512	36,341	4,171	957,755	226,236	731,519	113,210	81,099	32,111
Excess (deficiency) of revenues over expenditures	40,987	54,160	13,173	(957,755)	(215,879)	741,876	(109,710)	(77,086)	32,624
Other financing sources (uses)									
Operating transfers in	270,125	270,125	--	901,431	901,431	--	81,511	81,511	--
Operating transfers out	(572,540)	(572,540)	--	(76,500)	(76,500)	--	(42,500)	(42,500)	--
Other uses	(161,807)	--	161,807	(8,605)	--	8,605	(102,527)	--	102,527
Total other financing sources (uses)	(464,222)	(302,415)	161,807	816,326	824,931	8,605	(63,516)	39,011	102,527
Excess (deficiency) of revenues and other sources over expenditures and other uses	(423,235)	(248,255)	174,980	(141,429)	609,052	750,481	(173,226)	(38,075)	135,151
Fund balance, beginning of year	423,235	423,235	--	141,429	141,429	--	173,226	173,178	(48)
Fund balance, end of year	\$ --	\$ 174,980	\$ 174,980	\$ --	\$ 750,481	\$ 750,481	\$ --	\$ 135,103	\$ 135,103

Continued ...

**Santa Rosa County, Florida Board of County Commissioners
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS -- (Continued)
Year Ended September 30, 2002**

	All other			Totals		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Intergovernmental	\$ 200,000	\$ 162,053	\$ (37,947)	\$ 362,998	\$ 325,051	\$ (37,947)
Miscellaneous	12,000	77,904	65,904	15,500	136,520	121,020
Total revenues	<u>212,000</u>	<u>239,957</u>	<u>27,957</u>	<u>378,498</u>	<u>461,571</u>	<u>(3,643)</u>
Expenditures						
Culture/Recreation	--	--	--	1,385	--	1,385
Capital outlay	3,883,214	2,468,030	1,415,184	5,826,858	3,419,806	2,407,052
Total expenditures	<u>3,883,214</u>	<u>2,468,030</u>	<u>1,415,184</u>	<u>5,828,243</u>	<u>3,419,806</u>	<u>2,408,437</u>
Excess (deficiency) of revenues over expenditures	<u>(3,671,214)</u>	<u>(2,228,073)</u>	<u>1,443,141</u>	<u>(5,449,745)</u>	<u>(2,958,235)</u>	<u>2,491,510</u>
Other financing sources (uses)						
Operating transfers in	1,742,060	1,742,060	--	3,335,377	3,335,377	--
Operating transfers out	--	--	--	(1,286,580)	(1,286,580)	--
Other uses	(1,553,231)	--	1,553,231	(2,480,340)	--	2,480,340
Total other financing sources (uses)	<u>188,829</u>	<u>1,742,060</u>	<u>1,553,231</u>	<u>(431,543)</u>	<u>2,048,797</u>	<u>2,480,340</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(3,482,385)</u>	<u>(486,013)</u>	<u>2,996,372</u>	<u>(5,881,288)</u>	<u>(909,438)</u>	<u>4,971,850</u>
Fund balance, beginning of year	<u>3,482,385</u>	<u>3,482,385</u>	<u>--</u>	<u>5,881,288</u>	<u>5,881,241</u>	<u>(47)</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ 2,996,372</u>	<u>\$ 2,996,372</u>	<u>\$ --</u>	<u>\$ 4,971,803</u>	<u>\$ 4,971,803</u>

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Board has decided that periodic determination of net income is appropriate for accountability purposes.

Navarre Beach Fund - established to plan, develop and operate the water and sewer system of Navarre Beach and to administer the county-leased land on Santa Rosa Island.

Landfill Fund - established to account for operation of the solid waste disposal facilities of the county.

Peter Prince Field Fund - established to account for activities related to the rental of hangers at Peter Prince Field.

Industrial Park Fund - established to segregate and identify revenues and expenses associated with development of the Industrial Park.

Santa Rosa County, Florida Board of County Commissioners
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
September 30, 2002

	Navarre Beach	Landfill	Peter Prince Field	Industrial Park	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 2,030,767	\$ 983,391	\$ 66,788	\$ 1,052,152	\$ 4,133,098
Investments	849,179	943,278	158,357	284,545	2,235,359
Accounts receivable	149,064	211,997	12,242	341	373,644
Interest	--	--	--	33,200	33,200
Leases - current	11,133	--	--	--	11,133
Notes receivable	--	--	--	39,936	39,936
Total current assets	<u>3,040,143</u>	<u>2,138,666</u>	<u>237,387</u>	<u>1,410,174</u>	<u>6,826,370</u>
Restricted assets					
Investments	618,452	1,178,178	--	--	1,796,630
Notes receivable	--	--	--	1,443,921	1,443,921
Deferred charges	35,441	61,537	--	--	96,978
Fixed assets					
Land	--	973,310	10,326	489,563	1,473,199
Buildings	123,820	328,160	914,491	--	1,366,471
Improvements	6,681,525	4,651,943	2,127,065	--	13,460,533
Machinery and equipment	342,978	2,541,650	8,500	--	2,893,128
Accumulated depreciation and amortization	(4,460,066)	(4,772,618)	(847,348)	--	(10,080,032)
Total fixed assets (net of accumulated depreciation)	<u>2,688,257</u>	<u>3,722,445</u>	<u>2,213,034</u>	<u>489,563</u>	<u>9,113,299</u>
Total assets	<u>\$ 6,382,293</u>	<u>\$ 7,100,826</u>	<u>\$ 2,450,421</u>	<u>\$ 3,343,658</u>	<u>\$ 19,277,198</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 37,652	\$ 31,612	\$ 13,139	\$ 1,579	\$ 83,982
Accrued compensation	15,075	29,867	--	--	44,942
Due to other governments	33,794	--	--	--	33,794
Total current liabilities	<u>86,521</u>	<u>61,479</u>	<u>13,139</u>	<u>1,579</u>	<u>162,718</u>
Current liabilities payable from restricted assets					
Revenue bonds - current	505,000	172,500	--	--	677,500
Accrued interest	6,687	24,186	--	--	30,873
Deposits	5,077	30,726	--	--	35,803
Current portion of landfill closure costs	--	182,435	--	--	182,435
Total current liabilities payable from restricted assets	<u>516,764</u>	<u>409,847</u>	<u>--</u>	<u>--</u>	<u>926,611</u>
Noncurrent liabilities					
Compensated absences	69,751	219,942	--	--	289,693
Long term portion of landfill closure costs	--	6,606,830	--	--	6,606,830
Revenue bonds payable - net of discount	398,750	2,919,121	--	--	3,317,871
Total noncurrent liabilities	<u>468,501</u>	<u>9,745,893</u>	<u>--</u>	<u>--</u>	<u>10,214,394</u>
Total liabilities	<u>1,071,786</u>	<u>10,217,219</u>	<u>13,139</u>	<u>1,579</u>	<u>11,303,723</u>
FUND EQUITY					
Contributed capital	2,361,764	2,867,648	2,521,866	1,726,818	9,478,096
Retained earnings (accumulated deficit)					
Reserved	30,282	--	--	--	30,282
Unreserved	2,918,461	(5,984,041)	(84,584)	1,615,261	(1,534,903)
Total retained earnings (accumulated deficit)	<u>2,948,743</u>	<u>(5,984,041)</u>	<u>(84,584)</u>	<u>1,615,261</u>	<u>(1,504,621)</u>
Total fund equity (accumulated deficit)	<u>5,310,507</u>	<u>(3,116,393)</u>	<u>2,437,282</u>	<u>3,342,079</u>	<u>7,973,475</u>
Total liabilities and fund equity	<u>\$ 6,382,293</u>	<u>\$ 7,100,826</u>	<u>\$ 2,450,421</u>	<u>\$ 3,343,658</u>	<u>\$ 19,277,198</u>

Santa Rosa County, Florida Board of County Commissioners
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
Year ended September 30, 2002

	Navarre Beach	Landfill	Peter Prince Field	Industrial Park	Total
Operating revenues					
Licenses and permits	\$ 5	\$ 1,150	\$ --	\$ --	\$ 1,155
Charges for services	1,365,731	1,963,577	--	--	3,329,308
Leases	263,062	--	154,217	3,840	421,119
Miscellaneous	525	129,859	5,604	4	135,992
Total operating revenues	<u>1,629,323</u>	<u>2,094,586</u>	<u>159,821</u>	<u>3,844</u>	<u>3,887,574</u>
Operating expenses					
Personal services	354,523	771,485	--	--	1,126,008
Contract services	185,033	139,522	63,218	6,246	394,019
Supplies	96,839	30,599	--	--	127,438
Repairs and maintenance	212,431	213,456	6,590	25,305	457,782
Utilities	180,454	61,720	6,853	6,107	255,134
Depreciation	348,085	355,241	187,959	--	891,285
Travel and per diem	2,289	9,496	--	--	11,785
Insurance	6,650	14,850	--	--	21,500
Communications	18,787	8,102	--	649	27,538
Advertising	758	--	--	--	758
Fuel and oil	4,290	70,649	--	--	74,939
Rentals	7,591	400	--	--	7,991
Landfill closure and maintenance	--	301,911	--	--	301,911
Miscellaneous	6,788	1,275	--	--	8,063
Total operating expenses	<u>1,424,518</u>	<u>1,978,706</u>	<u>264,620</u>	<u>38,307</u>	<u>3,706,151</u>
Operating income (loss)	<u>204,805</u>	<u>115,880</u>	<u>(104,799)</u>	<u>(34,463)</u>	<u>181,423</u>
Non-operating revenues (expenses)					
Sale of land	--	--	--	224,355	224,355
Interest income	99,700	60,207	3,736	125,859	289,502
Interest expense	(50,673)	(148,850)	--	--	(199,523)
State grants	8,162	--	--	--	8,162
Aid to private organizations	--	(30,000)	--	--	(30,000)
Amortization & other bond costs	(29,559)	(19,112)	--	--	(48,671)
Total non-operating revenues (expenses)	<u>27,630</u>	<u>(137,755)</u>	<u>3,736</u>	<u>350,214</u>	<u>243,825</u>
Income (loss) before operating transfers	<u>232,435</u>	<u>(21,875)</u>	<u>(101,063)</u>	<u>315,751</u>	<u>425,248</u>
Operating transfers in (out)	<u>(2,576,558)</u>	<u>--</u>	<u>(2,140)</u>	<u>--</u>	<u>(2,578,698)</u>
Net income (loss)	<u>(2,344,123)</u>	<u>(21,875)</u>	<u>(103,203)</u>	<u>315,751</u>	<u>(2,153,450)</u>
Accumulated retained earnings (deficit), beginning of year	<u>5,292,866</u>	<u>(5,962,166)</u>	<u>18,619</u>	<u>1,299,510</u>	<u>648,829</u>
Accumulated retained earnings (deficit), end of year	<u>\$ 2,948,743</u>	<u>\$ (5,984,041)</u>	<u>\$ (84,584)</u>	<u>\$ 1,615,261</u>	<u>\$ (1,504,621)</u>

Santa Rosa County, Florida Board of County Commissioners
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year ended September 30, 2002

	Navarre Beach Fund	Landfill Fund	Peter Prince Field	Industrial Park	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 204,805	\$ 115,880	\$ (104,799)	\$ (34,463)	\$ 181,423
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	348,085	355,241	187,959	--	891,285
(Gain) loss on disposal of assets	--	17,108	--	--	17,108
Change in assets and liabilities					
(Increase) decrease in:					
Accounts receivable	35,935	(28,873)	2,937	--	9,999
Leases receivable	66,709	--	--	--	66,709
Due from other governments	287,396	--	--	--	287,396
(Decrease) increase in:					
Accounts payable	(41,026)	(50,718)	10,214	(7,294)	(88,824)
Accrued compensation	8,765	5,980	--	--	14,745
Annual and sick leave	6,154	3,167	--	--	9,321
Landfill closure costs payable	--	301,911	--	--	301,911
Deferred revenue	(66,592)	--	--	--	(66,592)
Deposits	612	4,107	--	--	4,719
Due to other governments	12,816	--	(62)	(21)	12,733
Net cash provided (used) by operating activities	863,659	723,803	96,249	(41,778)	1,641,933
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State grants	8,162	--	--	--	8,162
Aid to private organizations	--	(30,000)	--	--	(30,000)
Operating transfers (out) in	(2,576,558)	--	(2,140)	--	(2,578,698)
Net cash provided (used) by noncapital financing activities	(2,568,396)	(30,000)	(2,140)	--	(2,600,536)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(8,184)	(59,194)	(8,500)	--	(75,878)
Proceeds from sale of land and equipment	--	10	--	225,800	225,810
Proceeds from note receivable	--	--	--	40,554	40,554
Interest paid	(54,402)	(150,407)	--	--	(204,809)
Principal paid on bonds	(505,000)	(162,500)	--	--	(667,500)
Net cash provided (used) by capital and related financing activities	(567,586)	(372,091)	(8,500)	266,354	(681,823)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net sale (purchase) of investments - State Investment Pool	4,051,338	539,671	(82,700)	401,553	4,909,862
Interest income	99,700	60,207	3,736	125,859	289,502
Net cash provided (used) by investing activities	4,151,038	599,878	(78,964)	527,412	5,199,364
NET INCREASE (DECREASE) IN CASH	1,878,715	921,590	6,645	751,988	3,558,938
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	152,052	61,801	60,143	300,164	574,160
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,030,767	\$ 983,391	\$ 66,788	\$ 1,052,152	\$ 4,133,098

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the Board in a trustee capacity. Agency funds are used to account for assets held by the Board as an agent for individuals, private organizations, other governments and/or other funds.

Insurance Clearance Fund - established to account for funds deducted from the Board's and other constitutional officers' employees' pay and disbursements on their behalf.

Flex Benefit Fund - to account for the funds deducted from the Board's and other constitutional officers' employees' pay and disbursements related to the Board's cafeteria plan.

Santa Rosa County, Florida Board of County Commissioners
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year ended September 30, 2002

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
INSURANCE CLEARANCE				
Assets				
Cash	\$ 60,531	\$ 4,557,989	\$ 4,538,198	\$ 80,322
Accounts receivable	18,028	547,243	283,092	282,179
Due from other funds	--	1,510,930	1,111,379	399,551
Due from other governments	--	647,666	647,440	226
Total assets	<u>\$ 78,559</u>	<u>\$ 7,263,828</u>	<u>\$ 6,580,109</u>	<u>\$ 762,278</u>
Liabilities				
Accounts payable	\$ 78,559	\$ 7,498,450	\$ 7,645,169	\$ 225,278
Due to other funds	--	--	537,000	537,000
Total liabilities	<u>\$ 78,559</u>	<u>\$ 7,498,450</u>	<u>\$ 8,182,169</u>	<u>\$ 762,278</u>
FLEX BENEFIT				
Assets				
Cash	\$ 10,769	\$ 48,162	\$ 50,143	\$ 8,788
Accounts receivable	152	--	152	--
Total assets	<u>\$ 10,921</u>	<u>\$ 48,162</u>	<u>\$ 50,295</u>	<u>\$ 8,788</u>
Liabilities				
Accounts payable	\$ 3,421	\$ 50,295	\$ 48,162	\$ 1,288
Due to other funds	7,500	--	--	7,500
Total liabilities	<u>\$ 10,921</u>	<u>\$ 50,295</u>	<u>\$ 48,162</u>	<u>\$ 8,788</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 71,300	\$ 4,606,151	\$ 4,588,341	\$ 89,110
Accounts receivable	18,180	547,243	283,244	282,179
Due from other funds	--	1,510,930	1,111,379	399,551
Due from other governments	--	647,666	647,440	226
Total assets	<u>\$ 89,480</u>	<u>\$ 7,311,990</u>	<u>\$ 6,630,404</u>	<u>\$ 771,066</u>
Liabilities				
Accounts payable	\$ 81,980	\$ 7,548,745	\$ 7,693,331	\$ 226,566
Due to other funds	7,500	--	537,000	544,500
Total liabilities	<u>\$ 89,480</u>	<u>\$ 7,548,745</u>	<u>\$ 8,230,331</u>	<u>\$ 771,066</u>

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

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Board of County Commissioners of Santa Rosa County, Florida, (Board), as of and for the year ended September 30, 2002, and have issued our report thereon dated January 14, 2003, which was qualified for a lack of valuations for general fixed assets. 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 Board'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 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.

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

January 14, 2003

MANAGEMENT LETTER

Honorable County Commissioners

W.A. Lee, Chairperson

W.D. Salter, Vice Chairperson

Robert Cole

Gordon Goodin

Robert Hilliard

Honorable Mary M. Johnson, Clerk and Accountant to the

Board of County Commissioners

Santa Rosa County, Florida

We have audited the financial statements of the Santa Rosa County, Florida, Board of County Commissioners, (hereinafter referred to as "Board"), as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated January 14, 2003 which was qualified for a lack of valuations for general fixed assets.

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 January 14, 2003. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Except as discussed in the first paragraph, 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, if any, reported in the preceding annual financial audit report have been corrected. There were no such matters disclosed in the preceding annual financial audit.

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 to our satisfaction. The recommendations made in the preceding annual financial audit report have been implemented to our satisfaction, except as described in Attachment A.

As required by the Rules of the Auditor General (Section 10.554 (1) (g) 2.), we determined that the 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 internal control structure and on compliance with laws and regulations: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations, and contractual provisions that have occurred or were likely to have occurred and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit which may or may not materially affect the financial statements; improper or inadequate accounting procedures; failures to properly record financial transactions; and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. We are submitting for your consideration the recommendation described in Attachment A.

This management letter is intended for the information of the Board and management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Creel, LLP

January 14, 2003

RECOMMENDATIONS

REPEATED FROM PRIOR YEAR

1995-2 - TANGIBLE PERSONAL PROPERTY RECORDS

Finding - The Rules of the Auditor General Chapter 10.400 require each governmental unit to maintain an adequate record of its property. The Board is responsible for maintaining the records of fixed assets of the Board and certain other elected officials. There has been no reconciliation of the fixed assets listing to the general ledger balance.

Recommendation - We understand the Clerk has assigned responsibility to a specific person for reconciling and maintaining the County's property records and has taken steps to comply with the Rules of the Auditor General. However, we noted this process is not yet complete since there is still a material difference between the property records and the general ledger.

CURRENT YEAR RECOMMENDATIONS

2002-1 - CLAIMS LIABILITIES OF THE SELF-INSURED FUND

Finding - The County is self-insured with respect to certain risks, and on occasion enters into structured settlement agreements as a means of satisfying claims liabilities with employees who may have been injured on the job. A structured settlement may consist of an initial cash payment to meet specific present financial needs combined with a stream of future cash payments to meet future financial needs. The payout period usually covers the remaining life expectancy of the claimant.

Self-insured entities typically may elect to self-fund these structured settlements or, alternatively, purchase annuity contracts from commercial insurers. The county currently self-funds these agreements and is required by generally accepted accounting principles to recognize the full amount of the loss and record the claim liability at the discounted present value of the future cash payments when the agreement is finalized.

During 2002 it was discovered that three claimants were receiving payments under structured settlement agreements from prior years, but the present value liability and loss had never been recorded in the financial statements. As a result, a prior period adjustment was necessary to increase liabilities and reduce the retained earnings of the Self-Insurance Fund by \$356,724. This created a deficit in the Self Insurance Fund at September 30, 2002 of \$251,390.

RECOMMENDATIONS

The following table presents a summary of the claims payable liability at year-end:

Estimated to be paid within next year	\$ 1,810,623
Long-term payable – structured settlements	<u>1,012,272</u>
Total claims liability	<u>\$ 2,822,895</u>

Recommendation

1. We recommend the County develop a long-term funding strategy to ensure adequate resources are accumulated to pay these obligations as they become due in future years.

2. We recommend the Risk Management Department (under the Board of County Commissioners) and the Finance Department (under the Clerk of Courts) establish better coordination and communication to ensure information related to structured settlements is provided to the Clerk’s Office contemporaneous with the signing of such agreements. This will facilitate accurate and timely recording of liabilities and expenses and ensure management’s decisions regarding target levels for reserves and fees charged to participants in the self-insurance program are based on reliable information.

3. We recommend the County consider having an independent actuarial analysis performed on its self-insurance activities. Such analysis would use prior claims history, current open claims, and economic factors to project an actuarial estimate of the liabilities incurred (including incurred but not reported) by the program. This information would be useful in determining the amounts and timing of contributions needed by the Self-Insurance fund to ensure sufficient assets are accumulated to pay liabilities when they become due.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH BOND COVENANTS**

Honorable Board of County Commissioners
Honorable Mary M. Johnson, Clerk and Accountant to the
Board of County Commissioners
Santa Rosa County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America, the special purpose financial statements of the Board of County Commissioners of Santa Rosa County, Florida (hereinafter referred to as "Board"), as of and for the year ended September 30, 2002, and have issued our report thereon, dated January 14, 2003, which was qualified for lack of valuations for general fixed assets.

In connection with our audit, nothing came to our attention that caused us to believe that the Board failed to comply with the terms, covenants, provisions, or conditions contained in the Water and Sewer Refunding Revenue Bonds, Series 1998 debt agreement, dated April 22, 1998, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board, management, and holders of the above noted bonds and should not be used for any other purpose.

O'Sullivan Creel, LLP

January 14, 2003

Santa Rosa County, Florida
Board of County Commissioners
RESPONSE TO MANAGEMENT LETTER
For the year ended September 30, 2002

1995-2 - TANGIBLE PERSONAL PROPERTY RECORDS

The Santa Rosa County Finance Department has had an employee devoted full time to compiling and maintaining the tangible personal property records. We expect the compilation of the tangible personal property records to be completed and the records reconciled to the general ledger during the first quarter of 2003. If those tasks have not been completed during this time frame, the Finance Director will reexamine 1) the staffing of the current position and / or 2) the possibility of contracting an outside source to complete the compilation of the records.

2002-1 - CLAIMS LIABILITIES OF SELF-INSURANCE FUND

Recommendation 1: Santa Rosa County reviews its self-insurance charges to all departments and adjusts these charges on an annual basis.

Recommendation 2: Santa Rosa County concurs with the recommendation to establish better coordination and communication with the Clerk's Finance Department.

Recommendation 3: Santa Rosa County will consider the recommendation for an independent actuarial analysis of the Self-Insurance Fund.