

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

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2003**

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

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2003**

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

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2003**

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O'SULLIVAN CREEL, LLP  
Certified Public Accountants & Consultants

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

**INDEPENDENT AUDITOR'S REPORT**

Honorable 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, 2003. 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.

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.

As discussed in Note A to the financial statements, the Board's financial statements are special-purpose financial statements presenting only the financial position and results of operations of the Board. These special-purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of Santa Rosa County, Florida, taken as a whole. As permitted by Chapter 10.556(5), Rules of the Auditor General State of Florida, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Governmental Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Board.

In our opinion, the special purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Board, as of September 30, 2003, and the results of its operations and cash flows of its business type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 35 through 39 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2004 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.

*O'Sullivan Greel, LLP*

January 30, 2004

**SPECIAL PURPOSE  
FINANCIAL STATEMENTS**

**Board of County Commissioners  
Santa Rosa County, Florida  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**September 30, 2003**

ASSETS	General	Road and Bridge	Fine and Forfeiture	Electricity Franchise Fee	Gas and Oil Preservation	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,848,025	\$ 2,842,262	\$ 413,211	\$ 6,806,805	\$ 958	\$ 4,071,250	\$ 15,982,511
Investments	4,191,332	651,390	2,849	2,392,484	5,409,245	4,149,825	16,797,125
Receivables, net of uncollectible:							
Accounts	86,681	900	8,703	349,555	--	149,341	595,180
Leases - current	8,968	--	--	--	--	--	8,968
Leases - noncurrent	65,113	--	--	--	--	--	65,113
Due from other governments	2,910,020	506,565	1,405,526	1,750,000	--	315,383	6,887,494
Due from other funds	445,478	--	--	--	--	--	445,478
Advances to other funds	--	122,537	--	--	--	--	122,537
Inventory	9,724	419,261	--	--	--	--	428,985
Total assets	<u>\$ 9,565,341</u>	<u>\$ 4,542,915</u>	<u>\$ 1,830,289</u>	<u>\$ 11,298,844</u>	<u>\$ 5,410,203</u>	<u>\$ 8,685,799</u>	<u>\$ 41,333,391</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 555,334	\$ 550,182	\$ 58,860	\$ --	\$ --	\$ 296,904	\$ 1,461,280
Accrued wages payable	371,623	43,413	8,712	--	--	1,952	425,700
Deposits	142,152	--	--	--	--	--	142,152
Deferred revenue	65,113	--	--	--	--	--	65,113
Due to other funds	--	--	--	--	--	100,422	100,422
Due to other governments	93,733	--	--	--	--	--	93,733
Advance payable to other funds	--	--	--	--	--	122,537	122,537
Total liabilities	<u>1,227,955</u>	<u>593,595</u>	<u>67,572</u>	<u>--</u>	<u>--</u>	<u>521,815</u>	<u>2,410,937</u>
<b>FUND BALANCES</b>							
Fund balances							
Reserved	1,138,319	556,977	71,577	1,750,000	5,410,203	2,537,695	11,464,771
Unreserved, reported in:							
General fund	7,199,067	--	--	--	--	--	7,199,067
Special revenue funds	--	3,392,343	1,691,140	9,548,844	--	2,885,527	17,517,854
Debt service fund	--	--	--	--	--	27,355	27,355
Capital project funds	--	--	--	--	--	2,713,407	2,713,407
Total fund balances	<u>8,337,386</u>	<u>3,949,320</u>	<u>1,762,717</u>	<u>11,298,844</u>	<u>5,410,203</u>	<u>8,163,984</u>	<u>38,922,454</u>
Total liabilities and fund balances	<u>\$ 9,565,341</u>	<u>\$ 4,542,915</u>	<u>\$ 1,830,289</u>	<u>\$ 11,298,844</u>	<u>\$ 5,410,203</u>	<u>\$ 8,685,799</u>	<u>\$ 41,333,391</u>

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

**Board of County Commissioners  
Santa Rosa County, Florida  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**Year ended September 30, 2003**

	General	Road and Bridge	Fine and Forfeiture	Electricity Franchise Fee	Gas and Oil Preservation	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 12,029,513	\$ 5,135,747	\$ 19,003,791	\$ 3,705,057	\$ --	\$ 751,446	\$ 40,625,554
Licenses and permits	2,205,200	--	--	--	--	--	2,205,200
Intergovernmental	12,519,458	3,526,538	122,478	--	--	1,280,571	17,449,045
Charges for services	999,758	25,000	3,115,886	--	--	503,392	4,644,036
Fines and forfeits	168,995	--	1,093,621	--	--	--	1,262,616
Miscellaneous	1,559,529	295,950	130,100	125,534	164,441	1,985,047	4,260,601
Total revenues	<u>29,482,453</u>	<u>8,983,235</u>	<u>23,465,876</u>	<u>3,830,591</u>	<u>164,441</u>	<u>4,520,456</u>	<u>70,447,052</u>
<b>Expenditures</b>							
<b>Current</b>							
General government	18,698,900	--	3,067,980	--	--	--	21,766,880
Public safety	3,744,609	--	21,364,161	--	--	1,592,635	26,701,405
Physical environment	1,062,583	--	--	--	--	64,161	1,126,744
Transportation	686,208	10,325,218	--	--	--	883,240	11,894,666
Economic environment	132,151	--	--	--	--	1,536,688	1,668,839
Human services	3,687,647	--	--	--	--	136,057	3,823,704
Culture and recreation	2,171,513	--	--	--	--	7,247	2,178,760
Capital outlay	--	--	--	--	--	1,877,874	1,877,874
Debt service	--	--	--	--	--	3,862,020	3,862,020
Total expenditures	<u>30,183,611</u>	<u>10,325,218</u>	<u>24,432,141</u>	<u>--</u>	<u>--</u>	<u>9,959,922</u>	<u>74,900,892</u>
Excess (deficiency) of revenues over expenditures	(701,158)	(1,341,983)	(966,265)	3,830,591	164,441	(5,439,466)	(4,453,840)
<b>Other financing sources (uses)</b>							
Transfer in	587,576	927,624	--	--	--	3,720,244	5,235,444
Transfer out	(2,079,692)	(235,255)	--	(2,604,441)	(358,763)	(1,538,677)	(6,816,828)
Refunding notes	--	--	--	--	--	3,023,154	3,023,154
Proceeds from debt	--	--	--	--	--	363,500	363,500
Total other financing sources (uses)	<u>(1,492,116)</u>	<u>692,369</u>	<u>--</u>	<u>(2,604,441)</u>	<u>(358,763)</u>	<u>5,568,221</u>	<u>1,805,270</u>
Net change in fund balances	(2,193,274)	(649,614)	(966,265)	1,226,150	(194,322)	128,755	(2,648,570)
Fund balances, beginning of year	10,529,632	4,537,313	2,728,982	10,072,694	5,604,525	8,035,229	41,508,375
Change in reserve for inventory	1,028	61,621	--	--	--	--	62,649
Fund balances, end of year	<u>\$ 8,337,386</u>	<u>\$ 3,949,320</u>	<u>\$ 1,762,717</u>	<u>\$ 11,298,844</u>	<u>\$ 5,410,203</u>	<u>\$ 8,163,984</u>	<u>\$ 38,922,454</u>

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

**Board of County Commissioners  
Santa Rosa County, Florida  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**September 30, 2003**

ASSETS	Business-type Activities				Total Enterprise Funds	Governmental
	Major Funds		Nonmajor Fund			Internal
	Navarre Beach	Landfill	Industrial Park	Peter Prince Field		Service Fund
Current assets:						
Cash and cash equivalents	\$ 1,776,635	\$ 1,450,115	\$ 327,997	\$ 206,814	\$ 3,761,561	\$ 1,021,419
Investments	1,728,225	774,063	1,195,859	210,998	3,909,145	2,906,692
Accounts receivable	180,276	223,072	341	14,451	418,140	--
Notes receivable - current portion	--	--	41,433	--	41,433	--
Interest	--	--	33,200	--	33,200	--
Leases - current	11,164	--	--	--	11,164	--
Due from other governments	--	--	--	18,232	18,232	--
Total current assets	<u>3,696,300</u>	<u>2,447,250</u>	<u>1,598,830</u>	<u>450,495</u>	<u>8,192,875</u>	<u>3,928,111</u>
Noncurrent assets						
Restricted investments	--	1,187,153	--	--	1,187,153	--
Notes receivable - long-term	--	--	1,401,279	--	1,401,279	--
Deferred charges	--	57,089	--	--	57,089	--
Fixed assets, net of accumulated depreciation	2,457,219	3,723,567	489,563	2,024,508	8,694,857	9,466
Total noncurrent assets	<u>2,457,219</u>	<u>4,967,809</u>	<u>1,890,842</u>	<u>2,024,508</u>	<u>11,340,378</u>	<u>9,466</u>
Total assets	<u>\$ 6,153,519</u>	<u>\$ 7,415,059</u>	<u>\$ 3,489,672</u>	<u>\$ 2,475,003</u>	<u>\$ 19,533,253</u>	<u>\$ 3,937,577</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 114,780	\$ 38,975	\$ 14,903	\$ 3,726	\$ 172,384	\$ 64,457
Current portion of claims payable	--	--	--	--	--	2,651,121
Accrued wages payable	2,771	7,758	--	--	10,529	2,344
Due to other governments	33,794	--	--	--	33,794	45,139
Due to other funds	--	--	--	--	--	345,056
Revenue bonds - current	--	180,000	--	--	180,000	--
Accrued interest	--	24,186	--	--	24,186	--
Deposits	6,450	31,322	--	--	37,772	--
Current portion of landfill closure costs	--	184,285	--	--	184,285	--
Total current liabilities	<u>157,795</u>	<u>466,526</u>	<u>14,903</u>	<u>3,726</u>	<u>642,950</u>	<u>3,108,117</u>
Noncurrent liabilities						
Compensated absences	76,651	215,470	--	--	292,121	77,568
Long term portion of claims payable	--	--	--	--	--	1,655,053
Long term portion of landfill closure costs	--	6,674,975	--	--	6,674,975	--
Revenue bonds payable - net of discount	--	2,749,849	--	--	2,749,849	--
Total noncurrent liabilities	<u>76,651</u>	<u>9,640,294</u>	<u>--</u>	<u>--</u>	<u>9,716,945</u>	<u>1,732,621</u>
Total liabilities	<u>234,446</u>	<u>10,106,820</u>	<u>14,903</u>	<u>3,726</u>	<u>10,359,895</u>	<u>4,840,738</u>
NET ASSETS						
Invested in capital assets, net of related debt	2,457,219	793,718	489,563	2,024,508	5,765,008	9,466
Restricted for debt service	--	52,993	--	--	52,993	--
Restricted for landfill closure	--	1,134,160	--	--	1,134,160	--
Unrestricted	3,461,854	(4,672,632)	2,985,206	446,769	2,221,197	(912,627)
Total net assets	<u>5,919,073</u>	<u>(2,691,761)</u>	<u>3,474,769</u>	<u>2,471,277</u>	<u>9,173,358</u>	<u>(903,161)</u>
Total liabilities and net assets	<u>\$ 6,153,519</u>	<u>\$ 7,415,059</u>	<u>\$ 3,489,672</u>	<u>\$ 2,475,003</u>	<u>\$ 19,533,253</u>	<u>\$ 3,937,577</u>

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

**Board of County Commissioners**  
**Santa Rosa County, Florida**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS - PROPRIETARY FUNDS**  
**Year ended September 30, 2003**

	Business-type Activities				Total Enterprise Funds	Governmental Activities
	Major Funds		Nonmajor Fund			Internal Service Fund
	Navarre Beach	Landfill	Industrial Park	Peter Prince Field		
Operating revenues						
Licenses and permits	\$ --	\$ 700	\$ --	\$ --	\$ 700	\$ --
Charges for services	1,494,096	2,105,195	--	--	3,599,291	--
Leases	--	--	3,840	161,383	165,223	--
Premiums received	--	--	3	--	3	1,644,750
Insurance proceeds	--	--	--	--	--	122,258
Miscellaneous	52,301	203,770	--	172	256,243	1,379
Total operating revenues	<u>1,546,397</u>	<u>2,309,665</u>	<u>3,843</u>	<u>161,555</u>	<u>4,021,460</u>	<u>1,768,387</u>
Operating expenses						
Personal services	321,007	772,562	--	--	1,093,569	169,719
Contract services	350,665	160,534	24,507	7,746	543,452	27,546
Supplies	86,711	35,229	--	1,675	123,615	21,366
Repairs and maintenance	148,033	146,495	17,738	11,077	323,343	4,134
Utilities	192,217	61,524	6,188	7,245	267,174	--
Depreciation	315,546	359,973	--	188,526	864,045	243
Travel and per diem	208	14,536	--	--	14,744	2,250
Insurance	6,650	17,550	--	--	24,200	449,698
Communications	16,378	6,578	--	--	22,956	958
Advertising	--	192	--	--	192	--
Fuel and oil	6,960	94,224	--	--	101,184	--
Rentals	--	400	--	--	400	--
Landfill closure and maintenance	--	69,995	--	--	69,995	--
Claims	--	--	--	--	--	2,687,501
State assessment	--	--	--	--	--	100,483
Miscellaneous	(5,212)	4,277	--	--	(935)	12,330
Total operating expenses	<u>1,439,163</u>	<u>1,744,069</u>	<u>48,433</u>	<u>216,269</u>	<u>3,447,934</u>	<u>3,476,228</u>
Operating income (loss)	107,234	565,596	(44,590)	(54,714)	573,526	(1,707,841)
Non-operating revenues (expenses)						
Sale of land	--	--	29,086	--	29,086	--
Interest income	47,450	52,210	124,194	3,909	227,763	45,501
Interest expense	(57,640)	(145,119)	--	--	(202,759)	--
Gain (loss) on sale of equipment	--	(14,932)	--	--	(14,932)	--
State grants	--	--	--	84,800	84,800	--
Aid to private organizations	--	(30,000)	--	--	(30,000)	--
Amortization & other bond costs	(1,070)	(15,175)	--	--	(16,245)	--
Total non-operating revenues (expenses)	<u>(11,260)</u>	<u>(153,016)</u>	<u>153,280</u>	<u>88,709</u>	<u>77,713</u>	<u>45,501</u>
Income (loss) before operating transfers	95,974	412,580	108,690	33,995	651,239	(1,662,340)
Transfer in	525,000	--	24,000	--	549,000	1,100,000
Transfer out	(45,889)	--	--	--	(45,889)	(21,727)
Change in net assets	575,085	412,580	132,690	33,995	1,154,350	(584,067)
Net assets, beginning of year	5,310,507	(3,116,393)	3,342,079	2,437,282	7,973,475	(251,390)
Prior period adjustment	33,481	12,052	--	--	45,533	(67,704)
Net assets, beginning of year restated	<u>5,343,988</u>	<u>(3,104,341)</u>	<u>3,342,079</u>	<u>2,437,282</u>	<u>8,019,008</u>	<u>(319,094)</u>
Net assets, end of year	<u>\$ 5,919,073</u>	<u>\$ (2,691,761)</u>	<u>\$ 3,474,769</u>	<u>\$ 2,471,277</u>	<u>\$ 9,173,358</u>	<u>\$ (903,161)</u>

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

**Board of County Commissioners  
Santa Rosa County, Florida  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended September 30, 2003**

	Business-type Activities					Governmental Activities
	Major Funds			Nonmajor Fund		
	Navarre Beach	Landfill	Industrial Park	Peter Prince Field	Total Enterprise Funds	
Cash flows from operating activities						
Cash received from customers	\$ 1,551,968	\$ 2,303,634	\$ 3,843	\$ 141,114	\$ 4,000,559	\$ --
Cash paid to suppliers	(718,832)	(516,626)	(35,109)	(37,156)	(1,307,723)	(846,223)
Cash paid to employees	(326,411)	(799,143)	--	--	(1,125,554)	(159,304)
Cash received from interfund services provided	--	--	--	--	--	1,960,285
Cash paid for internal services provided	--	--	--	--	--	(1,204,222)
Cash paid for internal services used	(6,650)	(17,550)	--	--	(24,200)	--
Net cash provided (used) by operating activities	<u>500,075</u>	<u>970,315</u>	<u>(31,266)</u>	<u>103,958</u>	<u>1,543,082</u>	<u>(249,464)</u>
Cash flows from non capital financing activities						
Transfers in (out)	479,111	--	24,000	--	503,111	1,078,273
State grants	--	--	--	84,800	84,800	--
Aid to private organizations	--	(30,000)	--	--	(30,000)	--
Net cash provided (used) by non capital financing activities	<u>479,111</u>	<u>(30,000)</u>	<u>24,000</u>	<u>84,800</u>	<u>557,911</u>	<u>1,078,273</u>
Cash flows from capital and related financing activities						
Proceeds from sale of assets	--	4,200	29,086	--	33,286	--
Purchases of capital assets	(51,027)	(383,350)	--	--	(434,377)	(9,709)
Principal paid on capital debt	(903,750)	(161,772)	--	--	(1,065,522)	--
Interest paid on capital debt	(65,397)	(145,119)	--	--	(210,516)	--
Net cash provided (used) by capital and related financing activities	<u>(1,020,174)</u>	<u>(686,041)</u>	<u>29,086</u>	<u>--</u>	<u>(1,677,129)</u>	<u>(9,709)</u>
Cash flows from investing activities						
Interest and dividends	47,450	52,210	124,194	3,909	227,763	45,501
Payments received on notes receivable	--	--	41,145	--	41,145	--
Net sale (purchase) of investments	(260,594)	160,240	(911,314)	(52,641)	(1,064,309)	(1,018,550)
Net cash provided (used) by investing activities	<u>(213,144)</u>	<u>212,450</u>	<u>(745,975)</u>	<u>(48,732)</u>	<u>(795,401)</u>	<u>(973,049)</u>
Net increase (decrease) in cash and cash equivalents	(254,132)	466,724	(724,155)	140,026	(371,537)	(153,949)
Cash and cash equivalents at beginning of year	2,030,767	983,391	1,052,152	66,788	4,133,098	1,175,368
Cash and cash equivalents at end of year	<u>\$ 1,776,635</u>	<u>\$ 1,450,115</u>	<u>\$ 327,997</u>	<u>\$ 206,814</u>	<u>\$ 3,761,561</u>	<u>\$ 1,021,419</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 107,234	\$ 565,596	\$ (44,590)	\$ (54,714)	\$ 573,526	\$ (1,707,841)
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation expense	315,546	359,973	--	188,526	864,045	243
Landfill closure costs	--	69,995	--	--	69,995	--
Changes in assets and liabilities:						
Accounts receivable	(31,212)	(11,075)	--	(2,209)	(44,496)	282,286
Leases receivable	(31)	--	--	--	(31)	--
Due from other governments	--	--	--	(18,232)	(18,232)	226
Deferred charges	35,441	4,448	--	--	39,889	--
Accounts payable	77,128	7,363	13,324	(9,413)	88,402	(272,597)
Accrued compensation	(12,304)	(22,109)	--	--	(34,413)	551
Annual and sick leave	6,900	(4,472)	--	--	2,428	9,864
Claims payable	--	--	--	--	--	1,483,279
Deposits	1,373	596	--	--	1,969	--
Due to other funds	--	--	--	--	--	(90,614)
Due to other governments	--	--	--	--	--	45,139
Net cash provided (used) by operating activities	<u>\$ 500,075</u>	<u>\$ 970,315</u>	<u>\$ (31,266)</u>	<u>\$ 103,958</u>	<u>\$ 1,543,082</u>	<u>\$ (249,464)</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2003**

**GUIDE TO NOTES**

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**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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**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, Florida (the Board) 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 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 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 Clerk of Courts, Sheriff, Tax Collector, Property Appraiser or 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.

***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 the Board. However, the Authority meets the criteria for inclusion in more than one reporting entity - Pace Water System as well as the Board. 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

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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

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 the Board.

***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 the Board. 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 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 the Board. 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. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Board groups its funds into two broad fund categories as either governmental or proprietary in nature. Governmental funds include the general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds and an internal service fund.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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

**3. Basis of Accounting**

**FUND FINANCIAL STATEMENTS**

The Fund financial statements, as presented herein, focus primarily on the major funds of the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

**GOVERNMENTAL FUNDS**

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental funds are:

- General Fund – This is the Board’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Road and Bridge Fund – Accounts for that portion of state fuel taxes and fees designated for road improvement projects.
- Fine and Forfeiture Fund – Accounts for fines, forfeitures and various other assessments used for law enforcement purposes.
- Electricity Franchise Fee Fund – Accounts for the collection and distribution of Electricity Franchise Fees.
- Gas and Oil Revenue Preservation Fund – Accounts for assets collected in prior years attributable to non-recurring gas and oil tax revenues.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, property taxes, special assessments, fines and forfeitures. Certain state-levied locally shared taxes including motor vehicle license tax and fuel taxes are subject to income recognition when the underlying transaction occurs. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on governmental long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**PROPRIETARY FUNDS**

All proprietary funds use the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility service receivables are recorded at each year end. Proprietary funds have selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No. 20.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the county's enterprise funds and internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The major proprietary funds are:

- Navarre Beach Fund – Accounts for the operation and maintenance of the water and sewer system of Navarre Beach.
- Landfill Fund – Accounts for the operation of the solid waste disposal facilities of the county.
- Industrial Park Fund – Accounts for the assets and operations at the industrial park.

The Board's only internal service fund is the Self Insurance Fund. This fund accounts for the risk management activities of the Board and the other elected officials. Costs are billed to the departments and other elected officials at the actual and estimated costs of providing insurance coverage.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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

**4. Budgets and Budgetary Accounting**

Florida Statutes Chapters 129 and 200 govern the preparation, adoption, and administration of the Board'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 generally accepted accounting principles (GAAP) as applicable to governmental units. The Board may, at any time within a fiscal year, amend a budget for that year as follows:

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.

**5. 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.

**6. 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.

**7. 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.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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

**8. Accounting for Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Constructed or purchased capital assets are recorded at historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. The minimum capitalization threshold is any individual item with a total cost greater than \$750 and a useful life of one year or more.

Capital assets in governmental funds, including infrastructure such as streets, drainage systems, culverts, traffic signals, and signs are recorded as expenditures in the governmental funds. As required by Chapter 10.557(i), Rules of the Auditor General, State of Florida, these special purpose statements do not reflect governmental capital assets in the governmental fund financial statements. Rather these assets are reported in the County's government-wide financial statements.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized and are reported in the proprietary fund financial statements as well as the government-wide financial statements.

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 System	20 years
Improvements	10 - 20 years
Equipment	3 - 10 years

The Board does not capitalize interest expense on borrowings used to finance construction of capital assets, as the capitalizable interest, after netting of interest earnings, is normally insignificant.

**9. 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. As required by Chapter 10.557(i), Rules of the Auditor General, State of Florida, these special purpose statements do not reflect long term debt in the governmental fund financial statements. The long term debt is reflected as a component of the government-wide Statement of Net Assets. Proprietary fund types accrue benefits in the period they are earned.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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

**10. 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 percent 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 percent 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.

Property taxes levied on property valuations as of January 1, 2003, and expected to be collected during the period November 2003 through March 2004 are as follows:

General Fund	\$ 10,101,670
Road and Bridge Fund	\$ 169,390
Fine and Forfeiture Fund	\$ 24,113,900

These taxes, although measurable, are not recognized as revenue at September 30, 2003, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

**11. 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 to 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.

**12. Allowance for Uncollectible Amounts**

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

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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**NOTE B - CASH AND INVESTMENTS**

At September 30, 2003, the bank held deposits of \$21,940,735 (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. The 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;
- 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;
- 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.

Certain investments are required to be categorized in accordance with GASB Statement No. 3 to indicate the level of credit risk assumed by the Board. The Board 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 Fund 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. The Local Government Surplus 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. As of September 30, 2003, the Local Government Surplus Funds Trust Fund had total investments of approximately \$16 billion. The Board allocates interest earned on investments held in the Local Government Surplus Trust Fund based on individual funds' principal balances.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE B - CASH AND INVESTMENTS - Continued**

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Comptroller, and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At September 30, 2003, the FLGIT was invested in money markets, treasury notes, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAA by Standard & Poor's. The Board allocates interest earned on investments held in the Local Government Surplus Trust Funds Fund based on individual funds' principal balances.

Schedule of Cash and Investments at September 30, 2003

	<u>Carrying Amount</u>
<u>Non-Categorized Investments</u>	
Florida Local Government Investment Trust Fund	\$ 9,637,720
Local Government Surplus Funds Trust Fund	<u>15,162,395</u>
Total Investments	24,800,115
 <u>Cash</u>	
Cash in Bank	20,764,366
Petty Cash	<u>1,125</u>
Total Cash	<u>20,765,491</u>
Total Cash and Investments	<u>\$ 45,565,606</u>
 <u>Financial Statement Presentation</u>	
Cash and Cash Equivalents:	
Governmental	\$ 15,982,511
Enterprise	3,761,561
Internal Service	1,021,419
Investments	
Governmental	16,797,125
Enterprise	5,096,298
Internal Service	<u>2,906,692</u>
Total Cash and Investments	<u>\$ 45,565,606</u>

Restricted cash and investments typically 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.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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**NOTE B - CASH AND INVESTMENTS - Continued**

Restricted investments by category and by fund are as follows:

	<u>Landfill Fund</u>
Debt service	\$ 52,993
Landfill escrow	<u>1,134,160</u>
	<u>\$ 1,187,153</u>

**NOTE C - NONCASH INVESTING, FINANCING AND CAPITAL ACTIVITIES**

There were no noncash investing, financing and capital activities during the year ended September 30, 2003.

**NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS**

At September 30, 2003, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 507,130
State of Florida – Long term receivable	1,750,000
State of Florida – Taxes	264,980
State of Florida – Grants	782,903
State of Florida – Shared revenues	691,230
Other elected officials	2,655,597
City of Pensacola	93,645
Other	<u>160,241</u>
Total	<u>\$ 6,905,726</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 \$1.75 million during the year ended September 30, 2004.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE E - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended September 30, 2003 were as follows:

Transfer From	Transfer To						Total
	General	Road & Bridge	Navarre Beach	Industrial Park	Non-Major Govern-mental	Self Insurance	
General	\$ --	\$ --	\$ --	\$ --	\$ 979,692	\$ 1,100,000	\$ 2,079,692
Road & Bridge	--	--	--	--	235,255	--	235,255
Electric							
Franchise Fee	71,250	914,674	--	24,000	1,594,517	--	2,604,441
Gas & Oil	358,763	--	--	--	--	--	358,763
Navarre Beach	--	--	--	--	45,889	--	45,889
Nonmajor							
Governmental	135,836	12,950	525,000	--	864,891	--	1,538,677
Self Insurance	21,727	--	--	--	--	--	21,727
<b>Total</b>	<u>\$ 587,576</u>	<u>\$ 927,624</u>	<u>\$ 525,000</u>	<u>\$ 24,000</u>	<u>\$ 3,720,244</u>	<u>\$ 1,100,000</u>	<u>\$ 6,884,444</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at September 30, 2003 consisted of the following:

Payable Fund	Receivable Fund
	General
Nonmajor governmental funds	\$ 100,422
Internal service fund	345,056
<b>Total</b>	<u>\$ 445,478</u>

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE F - NOTES RECEIVABLE**

The Board has a \$423,147 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 \$1,019,565 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 G - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2003 was as follows (in thousands):

<b>Governmental activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 8,786	\$ 224	\$ 4	\$ 9,006
Construction in progress	<u>217</u>	<u>361</u>	<u>-</u>	<u>578</u>
Total capital assets not being depreciated	9,003	585	4	9,584
Other capital assets:				
Buildings	24,838	3,889	-	28,727
Improvements other than buildings	3,889	2,418	-	6,307
Machinery and equipment	<u>18,861</u>	<u>1,560</u>	<u>1,168</u>	<u>19,253</u>
Total capital assets being depreciated	47,588	7,867	1,168	54,287
Less accumulated depreciation for:				
Buildings	11,168	1,077	-	12,245
Improvements other than buildings	234	248	-	482
Machinery and equipment	<u>9,726</u>	<u>1,527</u>	<u>1,127</u>	<u>10,126</u>
Total accumulated depreciation	<u>21,128</u>	<u>2,852</u>	<u>1,127</u>	<u>22,853</u>
Total capital assets, being depreciated, net	<u>26,460</u>	<u>5,015</u>	<u>41</u>	<u>31,434</u>
Governmental activities capital assets, net	<u>\$ 35,463</u>	<u>\$ 5,600</u>	<u>\$ 45</u>	<u>\$ 41,018</u>

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE G - CAPITAL ASSETS - Continued**

<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,473	\$ -	\$ -	\$ 1,473
Total capital assets not being depreciated	1,473	-	-	1,473
Other capital assets:				
Buildings	1,366	-	-	1,366
Improvements other than buildings	13,461	91	-	13,552
Furniture, fixtures and equipment	2,893	374	60	3,207
Total capital assets being depreciated	<u>17,720</u>	<u>465</u>	<u>60</u>	<u>18,125</u>
Less accumulated depreciation for:				
Buildings	502	76	-	578
Improvements other than buildings	7,437	618	-	8,055
Furniture, fixtures and equipment	2,142	169	41	2,270
Total accumulated depreciation	<u>10,081</u>	<u>863</u>	<u>41</u>	<u>10,903</u>
Total capital assets, being depreciated, net	<u>7,639</u>	<u>(398)</u>	<u>19</u>	<u>7,222</u>
Business-type activities capital assets, net	<u>\$ 9,112</u>	<u>\$ (398)</u>	<u>\$ 19</u>	<u>\$ 8,695</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 1,378,594
Public safety	182,565
Physical environment	27,551
Transportation	916,758
Economic environment	1,666
Human services	126,418
Culture and recreation	218,534
Total governmental activities depreciation expense	<u>\$ 2,852,086</u>
Business-type activities	
Water and sewer	\$ 315,546
Landfill	359,973
Hanger rental	188,526
Total business-type activities depreciation expense	<u>\$ 864,045</u>

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE H - 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>2002</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2003</u>	Amount Due within <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 2,830,187	\$ 203,878	\$ -	\$ 3,034,065	\$ -
Revenue bonds	3,240,000	-	172,500	3,067,500	180,000
Notes payable	3,182,680	3,023,154	2,812,746	3,393,088	979,008
Special assessment notes	<u>654,948</u>	<u>363,500</u>	<u>545,177</u>	<u>473,271</u>	<u>70,866</u>
	<u>\$ 9,907,815</u>	<u>\$3,590,532</u>	<u>\$ 3,530,423</u>	<u>\$ 9,967,924</u>	<u>\$1,229,874</u>
Business-type activities:					
Compensated absences	\$ 289,693	\$ 6,899	\$ 4,471	\$ 292,121	\$ -
Landfill closure costs	6,789,265	69,995	-	6,859,260	184,285
Revenue bonds	<u>4,143,750</u>	<u>-</u>	<u>1,076,250</u>	<u>3,067,500</u>	<u>180,000</u>
	<u>\$ 11,222,708</u>	<u>\$ 76,894</u>	<u>\$ 1,080,721</u>	<u>\$10,218,881</u>	<u>\$ 364,285</u>

Unamortized bond discounts totaling \$10,790 and deferred losses on refunding of bonds totaling \$126,861 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$57,089 at year end.

**2. Descriptions of Bonds and Notes**

Bonds and notes payable at September 30, 2003 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 7.10% and 7.75% through 1998 and 7.75% thereafter. \$ 575,000

\$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 a final payment due in 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 as a long term liability of Santa Rosa County as the County committed to funding this note at \$5,000 per year for fifteen years. 19,072

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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**NOTE H - LONG-TERM DEBT - Continued**

\$45,541 Capital Improvement Refunding Revenue Note, Series 2003B payable to bank for refunding certain indebtedness of the County – due in 20 quarterly payments of \$2,277 plus interest at 3.43%, secured by non-ad valorem revenues. 43,264

\$562,324 Capital Improvement Refunding Revenue Note, Series 2003A payable to bank for refunding certain indebtedness of the County - due in 12 quarterly payments of \$46,860 plus interest at 1.63%, secured by non-ad valorem revenues. 515,463

\$1,340,693 Capital Improvement Refunding Revenue Note, Series 2003A payable to bank for refunding certain indebtedness of the County - due in 15 quarterly payments of \$71,528 to \$105,000 plus interest at 1.94%, secured by non-ad valorem revenues. 1,235,693

\$1,074,596 Capital Improvement Refunding Revenue Note, Series 2003A payable to bank for refunding certain indebtedness of the County - due in 16 quarterly payments of \$63,514 to \$70,000 plus interest at 1.94%, secured by non-ad valorem revenues. 1,004,596

\$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%. Annual assessments are made against property owners in amounts sufficient to retire the maturing principal and interest. All assessments were collected by year end. 50,000

\$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. 59,771

\$363,500 special assessment note payable to bank for the construction of infrastructure improvements on Grande Navarre Canal. The note is due in 32 quarterly payments of \$13,590 including principal and interest at 4.43% with final payment due in 2011. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest. 363,500

General government - bonds payable

\$6,535,000 Capital Improvement Refunding Revenue Bonds, Series 2000-4.5 – 4.875% serial bonds due in annual installments of \$55,000 to \$610,000 from 2001 through 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund. 3,067,500

Total general government bonds and notes payable \$ 6,933,859

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE H - LONG-TERM DEBT - Continued**

Proprietary fund type - bonds payable

Enterprise Fund - Landfill

\$6,535,000 Capital Improvement Refunding Revenue Bonds, Series 2000-4.5 – 4.875% serial bonds due in annual installments of \$55,000 to \$610,000 from 2001 through 2016; Bonds are allocated 50% to governmental long-term debt and 50% to Landfill Fund.

\$ 3,067,500

Total proprietary fund type bonds payable

\$ 3,067,500

**3. Debt Service Requirements**

The annual requirements to amortize all bonds and notes outstanding at September 30, 2003 are as follows:

Governmental activities:

Year ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,229,874	\$ 250,853	\$ 1,480,727
2005	1,214,680	215,262	1,429,942
2006	1,029,046	181,274	1,210,320
2007	704,623	151,405	856,028
2008	386,853	128,697	515,550
2009-2013	1,498,783	396,340	1,895,123
2014-2018	<u>870,000</u>	<u>85,372</u>	<u>955,372</u>
	<u>\$ 6,933,859</u>	<u>\$ 1,409,203</u>	<u>\$ 8,343,062</u>

Business-type activities:

Year ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 180,000	\$ 137,960	\$ 317,960
2005	190,000	130,490	320,490
2006	195,000	122,511	317,511
2007	205,000	114,321	319,321
2008	215,000	105,607	320,607
2009-2013	1,212,500	379,288	1,591,788
2014-2018	<u>870,000</u>	<u>85,372</u>	<u>955,372</u>
	<u>\$ 3,067,500</u>	<u>\$ 1,075,549</u>	<u>\$ 4,143,049</u>

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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**NOTE H - 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, 2003, \$8.5 million of bonds are considered defeased.

**5. Current Refunding**

On May 22, 2003, the County issued \$3,023,154 Capital Improvement Refunding Revenue Notes, Series 2003A and Series 2003B with an average interest rate of 1.9% to current refund ten (10) outstanding debt issues at higher interest rates totaling \$3,023,154. The Board completed the current refunding to reduce its total debt service payments over the next four (4) years by \$395,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$363,000.

**NOTE I - CONDUIT DEBT OBLIGATIONS**

From time to time the Board 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 Board, 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 Board has not completed determination of these amounts.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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**NOTE J - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill 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 Board 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 \$6.9 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2003, represents the cumulative amount reported to date based on the following percentage usage of the estimated capacity of each of the Board's landfills:

Central Class I Landfill	43%
Central Class III Landfill	Closed 10/98
Holley Landfill	Closed 06/94
Northwest Landfill	Closed 02/91

The 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 Board will recognize the remaining estimated cost of closure and postclosure care for the Central Class I landfill in the amount of \$4 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 2003. The estimated remaining life of the Central Class I Landfill is 16 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 Board 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, 2003, the Board held investments of \$1,142,661 to cover the escrow requirement of \$1,134,160. These investments are reported as restricted assets in the notes. The Board 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.

**NOTE K - COMMITMENTS AND CONTINGENCIES**

**1. Retirement Plan**

**Participation** - Employees of the Board participate in the Florida Retirement System, a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is compulsory for full-time and part-time employees working in regularly established positions. Elected officials may elect not to participate in the system. 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.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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**NOTE K - COMMITMENTS AND CONTINGENCIES - Continued**

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2003, the Board contributed an average of 6.17% of each qualified regular employee's gross salary, 12.7% percent of the elected official's salary and 9.11% 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 \$781,927, \$816,254 and \$926,248 for the years ended September 30, 2003, 2002, and 2001, respectively.

**Benefit Provisions** - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings. 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 Florida Retirement System issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

**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 L - RESERVES AND DESIGNATIONS**

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

**General Fund:**

Reserve for inventory	\$ 9,724
Reserve for communications	620,020
Reserve for animal services education	35,324
Reserve for debt service	157,164

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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**NOTE L - RESERVES AND DESIGNATIONS - Continued**

Reserve for boating improvements	291,087
Reserve for long-term intergovernmental receivable	<u>25,000</u>
	1,138,319
<b>Road and Bridge Fund:</b>	
Reserve for inventory	419,261
Reserve for long-term intergovernmental receivable	<u>137,716</u>
	556,977
<b>Fine and Forfeiture Fund:</b>	
Reserve for forfeited property	71,577
<b>Electricity Franchise Fee Fund:</b>	
Reserve for long-term intergovernmental receivable	1,750,000
<b>Gas and Oil Preservation Fund:</b>	
Reserve for gas and oil preservation	5,410,203
<b>Nonmajor Governmental Funds:</b>	
Reserve for tourist development	785,974
Reserve for construction commitments	<u>1,751,721</u>
	<u>2,537,695</u>
<b>Total Governmental Funds</b>	<u><b>\$11,464,771</b></u>

**NOTE M - RISK MANAGEMENT**

The Board 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 Board established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the Board is self-insured with respect to the following exposures:

- Workers Compensation
- Auto Physical Damage
- Auto Liability
- Construction and Road Equipment

The Board 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

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

**NOTE M - RISK MANAGEMENT - Continued**

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 of County Commissioners and other County elected officials participate in the program and make payments to the Self-Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The claims liability of \$4,306,174 is based on the requirements of Governmental Accounting Standards Board 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.

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 8 percent. These liabilities are reported at their present value of \$1,802,510 at September 30, 2003. Changes in the Fund's claims liability amount in fiscal years 2002 and 2003 were as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2001 - 2002	\$ 2,477,331	\$ 2,061,641	\$ 1,716,077	\$ 2,822,895
2002 - 2003	\$ 2,822,895	\$ 2,687,501	\$ 1,204,222	\$ 4,306,174

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

Current claims payable	\$ 2,503,664
Current claims – structured settlements	<u>147,457</u>
Total claims payable, current	2,651,121
Long-term claims – structured settlements	<u>1,655,053</u>
Total claims payable	<u>\$4,306,174</u>

The Board 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 Board pays an annual premium as a participant of the pooled liability program. During 1994, the first year of participation, the Board 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 Board 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 Board's fiscal year end through the date of these financial statements. In the event the Board elected to terminate its participation in the pool, the extraordinary loss fund payment would be refunded to the Board, given adequate funding of the pool.

**Board of County Commissioners  
Santa Rosa County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2003**

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**NOTE N - COMPLIANCE AND ACCOUNTABILITY**

**Accumulated Deficits**

The Landfill Fund had a deficit in net assets due to 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.

The Self Insurance Fund deficit 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 expenses.

**NOTE O - PRIOR PERIOD ADJUSTMENTS**

During the year ended September 30, 2003 the following prior period adjustments were recorded:

- An increase of \$33,481 was made to the net asset balance of the Navarre Beach fund to reflect the capitalization of assets expensed in previous years.
- An increase of \$12,052 was made to the net asset balance of the Landfill fund to reflect the capitalization of assets expensed in previous years.
- Several employees were reclassified from departments within the General fund to the Self Insurance fund. Therefore, beginning net assets of the Self Insurance Fund was decreased \$67,704 for the accumulated compensated absences liability relating to those employees. Beginning general governmental long-term debt was reduced accordingly.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**Board of County Commissioners  
Santa Rosa County, Florida  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

**Year ended September 30, 2003**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 11,168,470	\$ 11,512,700	\$ 12,029,513
Licenses and permits	1,890,500	1,890,500	2,205,200
Intergovernmental	8,316,540	13,274,540	12,519,458
Charges for services	207,970	224,257	999,758
Fines and forfeits	142,500	142,500	168,995
Miscellaneous	1,348,050	1,355,550	1,559,529
Total revenues	<u>23,074,030</u>	<u>28,400,047</u>	<u>29,482,453</u>
<b>Expenditures</b>			
Current			
General government	14,002,625	20,304,967	18,698,900
Public safety	4,562,495	4,168,906	3,744,609
Physical environment	769,085	1,122,850	1,062,583
Transportation	--	710,970	686,208
Economic environment	133,820	133,820	132,151
Human services	3,314,610	3,324,210	3,687,647
Culture and recreation	2,329,590	2,174,265	2,171,513
Capital outlay	--	--	--
Debt service	--	--	--
Reserve for contingencies	1,810,445	1,156,943	--
Total expenditures	<u>26,922,670</u>	<u>33,096,931</u>	<u>30,183,611</u>
Excess (deficiency) of revenues over expenditures	(3,848,640)	(4,696,884)	(701,158)
<b>Other financing sources (uses)</b>			
Transfer in	285,000	510,240	587,576
Transfer out	(1,232,400)	(2,079,692)	(2,079,692)
Total other financing sources (uses)	<u>(947,400)</u>	<u>(1,569,452)</u>	<u>(1,492,116)</u>
Net change in fund balances	(4,796,040)	(6,266,336)	(2,193,274)
Fund balance, beginning of year	4,796,040	6,266,336	10,529,632
Change in reserve for inventory	--	--	1,028
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 8,337,386</u>

**Board of County Commissioners  
Santa Rosa County, Florida  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ROAD AND BRIDGE FUND**

**Year ended September 30, 2003**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 4,998,530	\$ 4,998,530	\$ 5,135,747
Intergovernmental	2,717,000	3,728,257	3,526,538
Charges for services	--	25,000	25,000
Miscellaneous	294,500	344,000	295,950
Total revenues	<u>8,010,030</u>	<u>9,095,787</u>	<u>8,983,235</u>
Expenditures			
Current			
Transportation	9,754,415	13,016,949	10,325,218
Reserve for contingencies	341,325	234,847	
Total expenditures	<u>10,095,740</u>	<u>13,251,796</u>	<u>10,325,218</u>
Excess (deficiency) of revenues over expenditures	(2,085,710)	(4,156,009)	(1,341,983)
Other financing sources (uses)			
Transfer in	28,130	942,804	927,624
Transfer out	(235,255)	(235,255)	(235,255)
Total other financing sources (uses)	<u>(207,125)</u>	<u>707,549</u>	<u>692,369</u>
Net change in fund balances	(2,292,835)	(3,448,460)	(649,614)
Fund balance, beginning of year	2,292,835	3,448,460	4,537,313
Change in reserve for inventory	--	--	61,621
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,949,320</u>

**Board of County Commissioners  
Santa Rosa County, Florida  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FINE AND FORFEITURE FUND**

**Year ended September 30, 2003**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 19,289,090	\$ 19,289,090	\$ 19,003,791
Intergovernmental	23,750	23,750	122,478
Charges for services	2,553,760	2,962,260	3,115,886
Fines and forfeits	1,548,980	1,140,480	1,093,621
Miscellaneous	104,500	104,500	130,100
Total revenues	<u>23,520,080</u>	<u>23,520,080</u>	<u>23,465,876</u>
Expenditures			
Current			
General government	3,079,510	3,087,940	3,067,980
Public safety	22,193,105	22,304,823	21,364,161
Reserve for contingencies	359,365	246,930	--
Total expenditures	<u>25,631,980</u>	<u>25,639,693</u>	<u>24,432,141</u>
Net change in fund balances	(2,111,900)	(2,119,613)	(966,265)
Fund balance, beginning of year	<u>2,111,900</u>	<u>2,119,613</u>	<u>2,728,982</u>
Fund balance, end of year	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 1,762,717</u></u>

**Board of County Commissioners  
Santa Rosa County, Florida  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ELECTRICITY FRANCHISE FEE FUND**

**Year ended September 30, 2003**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 3,325,000	\$ 3,325,000	\$ 3,705,057
Miscellaneous	--	--	125,534
Total revenues	<u>3,325,000</u>	<u>3,325,000</u>	<u>3,830,591</u>
Expenditures			
Reserve for contingencies	1,995,000	10,793,253	--
Total expenditures	<u>1,995,000</u>	<u>10,793,253</u>	<u>--</u>
Excess (deficiency) of revenues over expenditures	1,330,000	(7,468,253)	3,830,591
Other financing sources (uses)			
Transfer out	<u>(1,330,000)</u>	<u>(2,604,441)</u>	<u>(2,604,441)</u>
Net change in fund balances	--	(10,072,694)	1,226,150
Fund balance, beginning of year	<u>--</u>	<u>10,072,694</u>	<u>10,072,694</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,298,844</u>

**Board of County Commissioners  
Santa Rosa County, Florida  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GAS AND OIL REVENUE PRESERVATION FUND**

**Year ended September 30, 2003**

	Original Budget	Final Budget	Actual
Revenues			
Miscellaneous	\$ 285,000	\$ 285,000	\$ 164,441
Total revenues	<u>285,000</u>	<u>285,000</u>	<u>164,441</u>
Expenditures			
Total expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over expenditures	285,000	285,000	164,441
Other financing sources (uses)			
Transfer out	<u>(285,000)</u>	<u>(358,763)</u>	<u>(358,763)</u>
Net change in fund balances	--	(73,763)	(194,322)
Fund balance, beginning of year	<u>--</u>	<u>73,763</u>	<u>5,604,525</u>
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,410,203</u>



**O'SULLIVAN CREEL, LLP**  
Certified Public Accountants & Consultants

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

**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, 2003, and have issued our report thereon dated January 30, 2004. 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 30, 2004



O'SULLIVAN CREEL, LLP  
Certified Public Accountants & Consultants

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

**MANAGEMENT LETTER**

Honorable County Commissioners

W.D. "Don" Salter, Chairman

Gordon Goodin, Vice Chairman

Robert Hillard

Robert A. "Bob" Cole

W.A. "Buck" Lee

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 Santa Rosa County, Florida, Board of County Commissioners, (hereinafter referred to as "Board"), as of and for the fiscal year ended September 30, 2003, and have issued our report thereon dated January 30, 2004.

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 30, 2004. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554 (1) (g) 1.a.) require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud, and violations of laws, rules, regulations, and contractual provisions, 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.

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. Our audit disclosed no matters required to be disclosed by Rules of the Auditor General (Sections 10.554(1)(g)3., and 4).

This management letter is intended for the information of the Board and 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 30, 2004

**Annual Audit Report  
Board of County Commissioners  
Santa Rosa County, Florida  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
September 30, 2003**

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