

**SANTA ROSA COUNTY, FLORIDA  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2003**

**Santa Rosa County, Florida**  
**FINANCIAL STATEMENTS**  
**September 30, 2003**

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

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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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of and for the year ended September 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Santa Rosa County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Rosa County, Florida, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 46 through 50 are not a required part of the basic financial statements but are 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 Santa Rosa County, Florida'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.

As described in Note Q, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of September 30, 2003.

*O'Sullivan Creel, LLP*

January 30, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Santa Rosa County, Florida

### MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2003

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Management's discussion and analysis provides an objective and easily readable analysis of the County's financial activities. The analysis provides summary financial information for the County and should be read in conjunction with the County's financial statements.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to the financial statements*. The *Government-wide financial statements* present an overall picture of the County's financial position and results of operations. The *Fund financial statements* present financial information for the County's major funds and nonmajor funds in the aggregate. The *Notes to the financial statements* provide additional information essential to a full understanding of the data provided in the Government-wide and Fund financial statements. This report also contains other supplementary information in addition to the basis financial statements.

The *Government-wide financial statements* are the **statement of net assets** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental Activities are primarily supported by property taxes, sales taxes, federal and state grants, and state shared revenues. Business-type Activities are supported by charges to the users of those activities, such as water and sewer service charges.

The **statement of net assets** presents information on all assets and liabilities of the County, with the difference between assets and liabilities reported as net assets. Net assets are reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Assets, liabilities, and net assets are reported for all Governmental Activities separate from the assets, liabilities and net assets of Business-type Activities.

The **statement of activities** presents information on all revenues and expenses of the County and the change in net assets. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the County. To assist in understanding the County's operations, expenses have been reported as governmental activities or business-type activities. Governmental Activities financed by the County include public safety, physical environment, transportation, economic environment, culture and recreation, and general government services. Business-type Activities financed by user charges include water and sewer services, solid waste disposal, and hangar and industrial park leases.

*Fund financial statements* present financial information for governmental funds and proprietary funds. These statements provide financial information for the major funds of the County. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

*Fund financial statements* include a **balance sheet** and a **statement of revenues, expenditures, and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances - budget and actual**, is provided for the County's General Fund and major governmental funds as required supplemental information. For the proprietary funds, which include an internal service fund in addition to business-type activities, a **statement of net assets**; a **statement of revenues, expenses, and changes in fund net**

## Santa Rosa County, Florida

### MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2003

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**assets**; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed information about the County's activities. Individual funds are established by the County to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of State and federal grants.

The *government-wide financial statements* and the *fund financial statements* provide different *pictures* of the County. The government-wide financial statements provide an overall picture of the County's financial standing, split between Governmental Activities and Business-type Activities. These statements are comparable to private-sector companies and give a good understanding of the County's overall financial health and how the County paid for the various activities, or functions, provided by the County. All assets of the County, including buildings, tangible property, land, roads, bridges, and similar infrastructure are reported in the **statement of net assets**. All liabilities, including principal outstanding on bonds, capital leases, and future employee benefits obligated but not paid by the County, are included. The **statement of activities** includes depreciation on all long lived assets of the County. The *fund financial statements* provide a picture of the major funds of the County and a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities are not included in the fund financial statements. Reconciliations are provided from the *fund financial statements* to the *government-wide financial statements* to facilitate a comparison between governmental funds and governmental activities. *Notes to the financial statements* provide additional detail concerning the financial activities and financial balances of the County. Additional information about the accounting practices of the County, investments of the County, long-term debt, and pension plans are some of the items included in the *notes to the financial statements*.

#### ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

##### Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$78,319,109 as of September 30, 2003

The largest portion of the County's net assets (59%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase in net assets from governmental activities of \$1,802,000. This consisted of an increase of \$5,928,000 to invested in capital assets net of related debt, a decrease of \$4,947,000 to unrestricted net assets and an increase of \$821,000 to restricted net assets. The primary reason for this net increase was the County's investment in capital assets.

**Santa Rosa County, Florida**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**September 30, 2003**

There was an increase in net assets from business-type activities of \$1,200,000. This consisted of an increase of \$647,000 to invested in capital assets net of related debt, an increase of \$1,162,000 to unrestricted net assets and a decrease of \$609,000 to restricted net assets. The primary reason for this net increase was the payoff of capital assets related debt with funds transferred from governmental activities.

Following is a comparative statement of net assets (amounts expressed in thousands – footing differences are the result of rounding):

	<b><u>Governmental</u></b>		<b><u>Business-type</u></b>		<b><u>Total</u></b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Current and other assets	\$ 47,293	\$ 50,345	\$ 10,838	\$ 10,165	\$ 58,131	\$ 60,510
Capital assets	<u>43,619</u>	<u>38,027</u>	<u>8,695</u>	<u>9,112</u>	<u>52,314</u>	<u>47,139</u>
Total assets	90,912	88,372	19,533	19,277	110,445	107,649
Long-term liabilities outstanding	18,485	16,437	10,081	11,074	28,566	27,511
Other liabilities	<u>3,281</u>	<u>4,591</u>	<u>279</u>	<u>230</u>	<u>3,560</u>	<u>4,821</u>
Total liabilities	<u>21,766</u>	<u>21,028</u>	<u>10,360</u>	<u>11,304</u>	<u>32,126</u>	<u>32,332</u>
Net Assets:						
Invested in capital assets, net of related debt	40,552	34,624	5,765	5,118	46,317	39,742
Restricted	10,964	10,143	1,187	1,796	12,150	11,939
Unrestricted	<u>17,630</u>	<u>22,577</u>	<u>2,221</u>	<u>1,059</u>	<u>19,852</u>	<u>23,636</u>
Total net assets	<u>\$ 69,146</u>	<u>\$ 67,344</u>	<u>\$ 9,173</u>	<u>\$ 7,973</u>	<u>\$ 78,319</u>	<u>\$ 75,317</u>

**Financial Analysis of Governmental Funds**

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The County's governmental funds reported combined ending fund balances of \$40,586,000 (69% is unreserved), a decrease of \$2,243,000 from last year. The main reason for this decrease is the County's investment in capital assets. The investment in capital assets results in a decrease to net assets in the fund financial statements and an increase to net assets in the government wide financial statements.

**Santa Rosa County, Florida**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**September 30, 2003**

Following is a comparative statement of changes in net assets (amounts expressed in thousands):

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Program revenues						
Charges for services	\$ 19,101	\$ 15,704	\$ 3,765	\$ 3,752	\$ 22,866	\$ 19,456
Operating grants & contributions	10,297	5,376	-	8	10,297	5,384
Capital grants & contributions	574	320	-	-	574	320
General revenues:						
Property tax	31,386	29,349	-	-	31,386	29,349
Sales, use and fuel tax	4,017	3,752	-	-	4,017	3,752
Communication services	1,173	813	-	-	1,173	813
Grants & contributions	10,821	10,324	85	-	10,905	10,324
Investment earnings	830	1,301	228	290	1,058	1,591
Other	290	867	270	360	560	1,227
Total revenues	<u>78,489</u>	<u>67,806</u>	<u>4,348</u>	<u>4,410</u>	<u>82,836</u>	<u>72,216</u>
Expenses:						
General government	28,211	24,303	-	-	28,211	24,303
Public safety	26,397	25,777	-	-	26,397	25,777
Physical environment	1,156	890	-	-	1,156	890
Transportation	12,117	13,036	-	-	12,117	13,036
Economic environment	1,676	1,728	-	-	1,676	1,728
Human services	3,960	3,252	-	-	3,960	3,252
Culture and recreation	2,372	1,913	-	-	2,374	1,913
Interest on long-term debt	317	352	-	-	317	352
Water and sewer	-	-	1,477	1,470	1,477	1,470
Airport	-	-	216	265	216	265
Industrial park	-	-	48	38	48	38
Landfill	-	-	1,934	2,177	1,934	2,177
Total expenses	<u>76,206</u>	<u>71,248</u>	<u>3,675</u>	<u>3,949</u>	<u>79,883</u>	<u>75,197</u>
Increase in net assets						
before transfers	2,283	(3,442)	673	461	2,953	(2,981)
Transfers	<u>(482)</u>	<u>2,614</u>	<u>482</u>	<u>(2,614)</u>	<u>-</u>	<u>-</u>
Change in net assets	1,801	(828)	1,155	(2,155)	2,953	(2,981)
Net assets, beg. of year	67,344	68,172	7,973	10,127	75,317	78,299
Prior period adjustment	-	-	46	-	46	-
Net assets,						
beg. of year, restated	<u>67,344</u>	<u>68,172</u>	<u>8,019</u>	<u>10,127</u>	<u>75,363</u>	<u>78,299</u>
Net assets, end of year	<u>\$ 69,146</u>	<u>\$ 67,344</u>	<u>\$ 9,173</u>	<u>\$ 7,973</u>	<u>\$ 78,319</u>	<u>\$ 75,317</u>

## Santa Rosa County, Florida

### MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2003

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The General fund is the primary operating fund of the County. At the elected official level the Board of County Commissioners receives revenues from ad valorem taxes, fines and forfeitures and incurs expenditures to contract for the Sheriff's operations in the Fine and Forfeiture fund. However, at the consolidated level the Sheriff's General Fund becomes a department of the County's General Fund and contract service expenditures become operating transfers to the Fine and Forfeiture Fund. As a result, during the year, expenditures exceeded revenues in the general fund by \$21,750,000.

The Road and Bridge fund accounts for fuel and other taxes designated for road improvements. During the year expenditures exceeded revenues by \$1,342,000. Planned net operating transfers reduced this deficit by \$692,000. The County budgeted a drawdown of the Road and Bridge Fund's fund balance.

The Fine and Forfeiture fund accounts for ad valorem taxes, fines, forfeitures and other assessments to be used for law enforcement. See the discussion above regarding the funding of public safety expenditures via transfers to the General Fund. Overall, the Fine and Forfeiture fund had a decrease in fund balance of \$966,000, due to increases in operating costs for the Sheriff's Office.

#### **Financial Analysis of Proprietary Funds**

The Navarre Beach fund accounts for the operations of the Navarre Beach water and sewer system. Operating income was \$128,000. Non-operating income and expenses and planned transfers increased the change in net assets to \$575,000. Operations are comparable to the prior year, except for a significant transfer of funds to the General Fund in the prior year when the Board elected to have the General Fund take over the leasing activities for property located on Navarre Beach.

The Landfill fund is used to account for the solid waste disposal operations at the County landfills. Although operations were profitable this year, the fund continues to show a deficit net asset balance, primarily due to the accrual of landfill closure costs to cap the landfills when they are full and to maintain and monitor the sites for thirty years afterwards.

#### **Budgetary Analysis**

The General fund budget was increased by \$6.5 million from the original budget (an increase of 12%). The significant changes are summarized as follows:

- \$139,934 – Disadvantaged Transportation grant.
- \$107,877 – Beach/Dune Recovery grant.
- \$346,285 – Florida Defense Infrastructure – Radio System Grant
- \$3,041,036 – Floridatown Drainage grant
- \$835,699 – Navarre Beach Boat Ramp
- \$498,962 – Florida Defense Infrastructure – Acquire property next to Whiting Field
- \$103,141 – Reroof Public Service Building.
- \$534,000 – Emergency Communications projects
- \$500,000 – Transfer to Self Insurance Fund to cover budget shortfall
- \$344,230 – Transfer to Other Capital Projects fund

**Santa Rosa County, Florida**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**September 30, 2003**

Actual expenditures were less than the final budgeted expenditures by \$5.2 million. The significant items that make up this variance are 1) The Board did not spend \$1 million on capital acquisitions for the Whiting Field Infrastructure Grant and the Navarre Beach Boat Ramp that had been planned and 2) The Sheriff's operations came in \$1.9 million less than anticipated.

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

As of September 30, 2003 the County had \$52.3 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads and other infrastructure.(See table below.) This amount represents a net increase (including additions and deductions) of just over \$5 million from last year.

**Capital Assets at Year-end  
(Net of Depreciation, in Thousands)**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 9,006	\$ 8,786	\$ 1,473	\$ 1,473	\$ 10,479	\$ 10,259
Construction in progress	578	217	-	-	578	217
Buildings	16,482	13,670	788	864	17,270	14,534
Improvements other than buildings	5,825	3,655	5,497	6,024	11,322	9,679
Machinery, furniture and equipment	<u>11,728</u>	<u>11,699</u>	<u>937</u>	<u>751</u>	<u>12,665</u>	<u>12,450</u>
Totals	<u>\$ 43,619</u>	<u>\$ 38,027</u>	<u>\$ 8,695</u>	<u>\$ 9,112</u>	<u>\$ 52,314</u>	<u>\$ 47,139</u>

This year's major additions included:

Improvements at Navarre Beach Boat Ramp	\$ 250,815
Building at Benny Russell Park	\$ 282,408
Building at Chumuckla Park	\$ 290,661
Building at East Milton Park	\$ 719,378
Building at Tiger Point Park	\$ 1,722,727
Improvements at East Milton Park	\$ 107,335
Improvements at Navarre Soccer Field	\$ 149,000
Improvements at Santa Rosa Soccer Field	\$ 403,131
Improvements at Creetwood Place Subdivision	\$ 618,302
Improvements at Sky Ridge Estates Subdivision	\$ 286,286
Cooperative Extension Building	\$ 862,680
Cooperative Extension parking lot	\$ 194,333
Graders for Road and Bridge (2)	\$ 271,860
Trash compacter for Landfill	\$ 305,430

**Santa Rosa County, Florida**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**September 30, 2003**

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**Outstanding Debt at Year-end  
(in Thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Revenue bonds	\$ 3,067	\$ 3,240	\$ 3,067	\$ 4,144	\$ 6,135	\$ 7,384
Notes payable	3,393	3,183	-	-	3,393	3,183
Special assessment notes	<u>473</u>	<u>655</u>	<u>-</u>	<u>-</u>	<u>473</u>	<u>655</u>
Totals	<u>\$ 6,933</u>	<u>\$ 7,078</u>	<u>\$ 3,067</u>	<u>\$ 4,144</u>	<u>\$ 10,001</u>	<u>\$ 11,222</u>

Four (4) Notes Payable and Six (6) Special Assessment Notes Payable totaling \$3 million were current refunded by issuance of two (2) Notes Payable totaling \$3 million. The County also incurred new special assessment debt of \$363,500 for the Grande Navarre Canal MSBU. More detailed information about the County's capital assets and long term liabilities is presented in Notes G & H to the financial statements, respectively.

**OTHER CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

The County has held the millage rate at 6.6175 for the fiscal year 2004 budget. This rate applied to higher assessed values will bring ad valorem tax revenues up to approximately \$34.4 million from \$31.7 million. The approved budget for fiscal year 2004 anticipates drawing down the fund balance reserves by approximately \$1.6 million.

## **BASIC FINANCIAL STATEMENTS**

**Santa Rosa County, Florida**  
**STATEMENT OF NET ASSETS**

**September 30, 2003**

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 21,014,307	\$ 3,761,561	\$ 24,775,868
Investments	19,703,817	5,096,298	24,800,115
Receivables (net)	5,723,842	1,923,448	7,647,290
Internal balances	377,447	--	377,447
Inventory	439,733	--	439,733
Deferred charges	--	57,089	57,089
Other assets	33,150	--	33,150
Capital assets, net of accumulated depreciation	43,619,384	8,694,857	52,314,241
Total assets	90,911,680	19,533,253	110,444,933
<b>LIABILITIES</b>			
Accounts payable	1,609,567	172,384	1,781,951
Accrued wages payable	1,215,120	10,529	1,225,649
Interest payable	46,661	24,186	70,847
Due to other governments	144,000	33,794	177,794
Deposits	142,152	37,772	179,924
Deferred revenue	123,726	--	123,726
Noncurrent liabilities			
Due within one year	3,880,995	364,285	4,245,280
Due in more than one year	14,603,708	9,716,945	24,320,653
Total liabilities	21,765,929	10,359,895	32,125,824
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	40,551,884	5,765,008	46,316,892
Restricted for:			
Debt service	184,518	52,993	237,511
Landfill closure	--	1,134,160	1,134,160
Communications	620,020	--	620,020
Animal Services Education	591,397	--	591,397
Boating Improvement	291,087	--	291,087
Gas and Oil Preservation	5,410,203	--	5,410,203
Other purposes	3,866,318	--	3,866,318
Unrestricted	17,630,324	2,221,197	19,851,521
Total net assets	\$ 69,145,751	\$ 9,173,358	\$ 78,319,109

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

**Santa Rosa County, Florida**

**STATEMENT OF ACTIVITIES**

**Year ended September 30, 2003**

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 28,211,397	\$ 13,752,341	\$ 3,164,786	\$ --	\$ (11,294,270)		\$ (11,294,270)
Public safety	26,396,766	4,927,102	1,295,344	186,633	(19,987,687)		(19,987,687)
Physical environment	1,155,614	--	2,890,531	80,745	1,815,662		1,815,662
Transportation	12,116,958	363,708	887,430	307,106	(10,558,714)		(10,558,714)
Economic environment	1,675,978	--	25,000	--	(1,650,978)		(1,650,978)
Human services	3,960,294	41,169	1,373,152	--	(2,545,973)		(2,545,973)
Culture and recreation	2,371,398	16,640	661,212	--	(1,693,546)		(1,693,546)
Interest on long-term debt	316,949	--	--	--	(316,949)		(316,949)
Total governmental activities	<u>76,205,354</u>	<u>19,100,960</u>	<u>10,297,455</u>	<u>574,484</u>	<u>(46,232,455)</u>		<u>(46,232,455)</u>
Business-type activities:							
Navarre Beach water and sewer	1,476,873	1,494,096	--	--		\$ 17,223	17,223
Peter Prince Airport	216,269	161,383	--	--		(54,886)	(54,886)
Industrial park	48,433	3,843	--	--		(44,590)	(44,590)
Landfill	1,934,363	2,105,895	--	--		171,532	171,532
Total business-type activities	<u>3,675,938</u>	<u>3,765,217</u>	<u>--</u>	<u>--</u>		<u>89,279</u>	<u>89,279</u>
Total	<u>79,881,292</u>	<u>22,866,177</u>	<u>10,297,455</u>	<u>574,484</u>	<u>(46,232,455)</u>	<u>89,279</u>	<u>(46,143,176)</u>
General revenues:							
Taxes							
Property taxes					31,385,880	--	31,385,880
Sales, use and fuel taxes					4,017,127	--	4,017,127
Communication services taxes					1,173,259	--	1,173,259
Grants and contributions not restricted to specific programs					10,820,587	84,800	10,905,387
Unrestricted investment earnings					830,064	227,763	1,057,827
Miscellaneous					382,703	256,243	638,946
Gain/(loss) on sale of assets					(92,839)	14,154	(78,685)
Transfers					(482,111)	482,111	--
Total general revenues and transfers					<u>48,034,670</u>	<u>1,065,071</u>	<u>49,099,741</u>
Change in net assets					1,802,215	1,154,350	2,956,565
Net assets - beginning (restated for GASB 34)					67,343,536	7,973,475	75,317,011
Prior period adjustment					--	45,533	45,533
Net assets - beginning, restated					<u>67,343,536</u>	<u>8,019,008</u>	<u>75,362,544</u>
Net assets - ending					<u>\$ 69,145,751</u>	<u>\$ 9,173,358</u>	<u>\$ 78,319,109</u>

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

**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	\$ 4,159,282	\$ 2,842,262	\$ 413,211	\$ 6,806,805	\$ 958	\$ 5,770,370	\$ 19,992,888
Investments	4,191,332	651,390	2,849	2,392,484	5,409,245	4,149,825	16,797,125
Receivables, net of uncollectibles							
Accounts	87,113	900	8,703	349,555	--	166,396	612,667
Leases - current	8,968	--	--	--	--	--	8,968
Leases - noncurrent	65,113	--	--	--	--	--	65,113
Due from other governments	2,245,682	506,565	72,540	1,750,000	--	462,307	5,037,094
Due from other funds	1,015,323	--	1,332,986	--	--	30,290	2,378,599
Advances to other funds	--	122,537	--	--	--	--	122,537
Inventory	20,472	419,261	--	--	--	--	439,733
Other assets	33,150	--	--	--	--	--	33,150
Total assets	<u>\$ 11,826,435</u>	<u>\$ 4,542,915</u>	<u>\$ 1,830,289</u>	<u>\$ 11,298,844</u>	<u>\$ 5,410,203</u>	<u>\$ 10,579,188</u>	<u>\$ 45,487,874</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 615,215	\$ 550,182	\$ 58,860	\$ --	\$ --	\$ 320,853	\$ 1,545,110
Accrued wages payable	1,158,699	43,413	8,712	--	--	1,952	1,212,776
Deposits	142,152	--	--	--	--	--	142,152
Deferred revenue	89,066	--	--	--	--	34,660	123,726
Due to other funds	1,332,986	--	--	--	--	323,110	1,656,096
Due to other governments	93,733	--	--	--	--	5,128	98,861
Advance payable to other funds	--	--	--	--	--	122,537	122,537
Total liabilities	<u>3,431,851</u>	<u>593,595</u>	<u>67,572</u>	<u>--</u>	<u>--</u>	<u>808,240</u>	<u>4,901,258</u>
<b>FUND BALANCES</b>							
Fund balances							
Reserved	1,195,517	556,977	71,577	1,750,000	5,410,203	3,040,808	12,025,082
Unreserved, reported in:	--	--	--	--	--	--	--
General fund	7,199,067	--	--	--	--	--	7,199,067
Special revenue funds	--	3,392,343	1,691,140	9,548,844	--	3,989,378	18,621,705
Debt service fund	--	--	--	--	--	27,355	27,355
Capital project funds	--	--	--	--	--	2,713,407	2,713,407
Total fund balances	<u>8,394,584</u>	<u>3,949,320</u>	<u>1,762,717</u>	<u>11,298,844</u>	<u>5,410,203</u>	<u>9,770,948</u>	<u>40,586,616</u>
Total liabilities and fund balances	<u>\$ 11,826,435</u>	<u>\$ 4,542,915</u>	<u>\$ 1,830,289</u>	<u>\$ 11,298,844</u>	<u>\$ 5,410,203</u>	<u>\$ 10,579,188</u>	<u>\$ 45,487,874</u>

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

**Santa Rosa County, Florida**

**RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS**

**September 30, 2003**

<b>Total Governmental Funds Balances</b>	\$ 40,586,616
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Prior periods investment in capital assets	63,054,799
Less accumulated depreciation	(25,028,422)
Current period additions to capital assets	9,651,269
Current period depreciation	(3,886,619)
Current period loss on disposal of capital assets	(181,109)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Revenue bonds	(3,240,000)
Notes payable	(3,182,681)
Compensated absences	(6,469,080)
Special assessment notes payable	(654,948)
Interest payable	(46,661)
Current period revenue bond payments	172,500
Current period note payments	2,812,747
Current period change in compensated absences	(698,022)
Current period special assessment note payments	545,177
Current period debt proceeds	(3,386,654)
Internal service funds are used by management to charge the costs of providing insurance coverage to individual funds and therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	
Assets	3,937,577
Liabilities	(4,840,738)
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 69,145,751</u></u>

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

**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	\$ 12,029,512	\$ 5,135,747	\$ 19,003,791	\$ 3,705,057	\$ --	\$ 751,446	\$ 40,625,553
Licenses and permits	2,205,200	--	--	--	--	--	2,205,200
Intergovernmental	12,740,180	3,526,538	122,478	--	--	2,104,918	18,494,114
Charges for services	3,058,810	25,000	2,093,265	--	--	720,963	5,898,038
Fines and forfeits	168,995	--	1,093,621	--	--	11,904	1,274,520
Miscellaneous	1,594,457	295,950	130,100	125,534	164,441	2,407,945	4,718,427
<b>Total revenues</b>	<u>31,797,154</u>	<u>8,983,235</u>	<u>22,443,255</u>	<u>3,830,591</u>	<u>164,441</u>	<u>5,997,176</u>	<u>73,215,852</u>
<b>Expenditures</b>							
<b>Current</b>							
General government	22,725,269	--	1,512,215	--	--	26,535	24,264,019
Public safety	23,081,306	--	668,835	--	--	2,838,210	26,588,351
Physical environment	1,062,583	--	--	--	--	64,161	1,126,744
Transportation	686,208	10,325,218	--	--	--	883,241	11,894,667
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
<b>Total expenditures</b>	<u>53,546,677</u>	<u>10,325,218</u>	<u>2,181,050</u>	<u>--</u>	<u>--</u>	<u>11,232,033</u>	<u>77,284,978</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(21,749,523)	(1,341,983)	20,262,205	3,830,591	164,441	(5,234,857)	(4,069,126)
<b>Other financing sources (uses)</b>							
Transfers in	22,859,667	927,624	1,022,621	--	--	4,073,140	28,883,052
Transfers out	(3,455,209)	(235,255)	(22,251,091)	(2,604,441)	(358,763)	(1,538,677)	(30,443,436)
Refunding notes	--	--	--	--	--	3,023,154	3,023,154
Proceeds from debt	--	--	--	--	--	363,500	363,500
<b>Total other financing sources (uses)</b>	<u>19,404,458</u>	<u>692,369</u>	<u>(21,228,470)</u>	<u>(2,604,441)</u>	<u>(358,763)</u>	<u>5,921,117</u>	<u>1,826,270</u>
<b>Net change in fund balances</b>	(2,345,065)	(649,614)	(966,265)	1,226,150	(194,322)	686,260	(2,242,856)
<b>Fund balances, beginning of year</b>	10,738,621	4,537,313	2,728,982	10,072,694	5,604,525	9,084,688	42,766,823
Change in reserve for inventory	1,028	61,621	--	--	--	--	62,649
<b>Fund balances, end of year</b>	<u>\$ 8,394,584</u>	<u>\$ 3,949,320</u>	<u>\$ 1,762,717</u>	<u>\$ 11,298,844</u>	<u>\$ 5,410,203</u>	<u>\$ 9,770,948</u>	<u>\$ 40,586,616</u>

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

**Santa Rosa County, Florida**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2003**

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,242,856)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense. In the current period  
these amounts are:

Current period investment in capital assets	9,173,822
Current period depreciation	(3,886,619)
Current period loss on disposal of capital assets	(181,109)

In the statement of activities, interest is accrued on outstanding loans, whereas  
in governmental funds, an interest expenditure is reported when due.

Change in interest payable	14,647
----------------------------	--------

Repayment of debt principal is an expenditure in the governmental funds, but  
the repayment reduces long-term liabilities in the statement of net assets.  
Also debt proceeds are an other financing source in the governmental funds,  
but the issuance increases long-term liabilities in the statement of net assets.

Current period change in compensated absences	(698,022)
Current period note payments	2,812,747
Current period revenue bond payments	172,500
Current period special assessment note payments	545,177
Current period debt proceeds	(3,386,654)

Internal service funds are used by management to charge the  
costs of providing insurance coverage and therefore, the  
change in net assets of the internal service fund is included  
in governmental activities in the Statement of Activities.

(584,067)

Some expenses reported in the statement of activities do not require  
the use of current financial resources and therefore are not reported as  
expenditures in the funds

Change in reserve for inventory	62,649
---------------------------------	--------

**Change in Net Assets of Governmental Activities** \$ 1,802,215

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

**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
<b>Current assets:</b>						
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 portion	11,164	--	--	--	11,164	--
Due from other governments	--	--	--	18,232	18,232	--
Total current assets	3,696,300	2,447,250	1,598,830	450,495	8,192,875	3,928,111
<b>Noncurrent assets</b>						
Restricted investments	--	1,187,153	--	--	1,187,153	--
Notes receivable - long-term portion	--	--	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	2,457,219	4,967,809	1,890,842	2,024,508	11,340,378	9,466
Total assets	\$ 6,153,519	\$ 7,415,059	\$ 3,489,672	\$ 2,475,003	\$ 19,533,253	\$ 3,937,577
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
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 portion	--	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	157,795	466,526	14,903	3,726	642,950	3,108,117
<b>Noncurrent liabilities</b>						
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	76,651	9,640,294	--	--	9,716,945	1,732,621
Total liabilities	234,446	10,106,820	14,903	3,726	10,359,895	4,840,738
<b>NET ASSETS</b>						
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 and debt service	--	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	5,919,073	(2,691,761)	3,474,769	2,471,277	9,173,358	(903,161)
Total liabilities and net assets	\$ 6,153,519	\$ 7,415,059	\$ 3,489,672	\$ 2,475,003	\$ 19,533,253	\$ 3,937,577

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

**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	329,665	160,534	24,507	7,746	522,452	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>1,418,163</u>	<u>1,744,069</u>	<u>48,433</u>	<u>216,269</u>	<u>3,426,934</u>	<u>3,476,228</u>
Operating income (loss)	128,234	565,596	(44,590)	(54,714)	594,526	(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 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	116,974	412,580	108,690	33,995	672,239	(1,662,340)
Transfers in	525,000	--	24,000	--	549,000	1,100,000
Transfers out	(66,889)	--	--	--	(66,889)	(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.

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

	Business-type Activities					Governmental Activities Internal Service Fund
	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	(697,832)	(516,626)	(35,109)	(37,156)	(1,286,723)	(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	521,075	970,315	(31,266)	103,958	1,564,082	(249,464)
Cash flows from noncapital financing activities						
Transfers in (out)	458,111	--	24,000	--	482,111	1,078,273
State grants	--	--	--	84,800	84,800	--
Aid to private organizations	--	(30,000)	--	--	(30,000)	--
Net cash provided (used) by noncapital financing activities	458,111	(30,000)	24,000	84,800	536,911	1,078,273
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	(1,020,174)	(686,041)	29,086	--	(1,677,129)	(9,709)
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	(213,144)	212,450	(745,975)	(48,732)	(795,401)	(973,049)
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)	\$ 128,234	\$ 565,596	\$ (44,590)	\$ (54,714)	\$ 594,526	\$ (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>\$ 521,075</u>	<u>\$ 970,315</u>	<u>\$ (31,266)</u>	<u>\$ 103,958</u>	<u>\$ 1,564,082</u>	<u>\$ (249,464)</u>

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

**Santa Rosa County, Florida**

**STATEMENT OF FIDUCIARY NET ASSETS**

**September 30, 2003**

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,191,621
Accounts receivable	13,623
Total assets	<u>\$ 3,205,244</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 21,466
Escrow deposits	1,268,688
Due to other governments	1,529,246
Due to other funds	377,447
Miscellaneous	8,397
Total liabilities	<u>\$ 3,205,244</u>

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

**SANTA ROSA COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**GUIDE TO NOTES**

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**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.

Santa Rosa County, Florida (the County) is a political subdivision of the State of Florida created pursuant to Article 8, Section 1(e), of the Constitution of the State of Florida and Chapter 7 of the Florida Statutes. It is governed by a five member Board of County Commissioners (the Board) elected from single-member districts. The Board has no powers other than those expressly vested in it by the Florida Statutes and its governmental powers cannot be delegated. The Board appoints an administrator to administer all policies emanating from its statutory powers and authority. In addition to the Board, there are five elected Constitutional Officers, pursuant to Article 8, Section 1(d) of the Constitution of the State of Florida: Clerk of Courts, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections.

These financial statements include the operating activities of the Board of County Commissioners, Clerk of Courts, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections.

**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 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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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

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 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. 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.

**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**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are excluded from the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund financial statements.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the County and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets then from unrestricted net assets.

**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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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

**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 County’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 considered derived non-exchange transactions. These types of transactions 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.

**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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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

**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 County's 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. At year-end, uncovered costs are billed to the departments, if necessary. Billings in excess of costs are credited to the departments.

**FIDUCIARY FUNDS**

The County has sixteen agency fiduciary funds. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

**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 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 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 County'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.

In the fund level statements, 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.

**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**

Capital assets, which include property, plant, equipment and infrastructure assets (i.e. streets, drainage systems, culverts, traffic signals, and signs), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The County 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.

Property, plant and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

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

**9. Compensated Absences**

It is the policy of the County to permit employees to accumulate a limited amount of earned but unused leave benefits which will be paid to employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the government-wide and proprietary fund financial statements. For governmental funds, there is no legal requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16. The majority of the compensated absences liability has been paid out of the General (75%) and the Road and Bridge (25%) funds.

**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 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 County 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 County 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.

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2003, the bank held deposits of \$30,680,044 (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 County'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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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

Pursuant to Florida Statutes Section 218.415, the County adopted an investment policy which outlines the County's investment responsibilities, objectives, and policies. The County's investment policy authorizes the County 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 County. 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 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 County allocates interest earned on investments held in the Local Government Surplus Trust Fund based on individual funds' principal balances.

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 County allocates interest earned on investments held in the Local Government Surplus Trust Funds Fund based on individual funds' principal balances.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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

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	24,774,743
Petty Cash	<u>1,125</u>
Total Cash	<u>24,775,868</u>
Total Cash and Investments	<u>\$49,575,983</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.

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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**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	\$ 654,054
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
City of Pensacola	93,645
Other	<u>818,514</u>
Total	<u>\$ 5,055,326</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.

**NOTE E - INTERFUND TRANSACTIONS**

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

<u>Transfer From</u>	<u>Transfer To</u>							<u>Total</u>
	<u>General</u>	<u>Road &amp; Bridge</u>	<u>Fine &amp; Forfeiture</u>	<u>Navarre Beach</u>	<u>Industrial Park</u>	<u>Nonmajor Governmental</u>	<u>Self Insurance</u>	
General	\$ --	\$ --	\$ 1,022,621	\$ --	\$ --	\$ 1,332,588	\$ 1,100,000	\$ 3,455,209
Road & Bridge	--	--	--	--	--	235,255	--	235,255
Fine & Forfeiture	22,251,091	--	--	--	--	--	--	22,251,091
Electric Franchise Fee	71,250	914,674	--	--	24,000	1,594,517	--	2,604,441
Gas & Oil	358,763	--	--	--	--	--	--	358,763
Navarre Beach	21,000	--	--	--	--	45,889	--	66,889
Nonmajor Governmental	135,836	12,950	--	525,000	--	864,891	--	1,538,677
Self Insurance	<u>21,727</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>21,727</u>
Total	<u>\$ 22,859,667</u>	<u>\$ 927,624</u>	<u>\$ 1,022,621</u>	<u>\$ 525,000</u>	<u>\$ 24,000</u>	<u>\$ 4,073,140</u>	<u>\$ 1,100,000</u>	<u>\$30,532,052</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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

**NOTE E - INTERFUND TRANSACTIONS - Continued**

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

<u>Payable Fund</u>	<u>Receivable Fund</u>			<u>Total</u>
	<u>General</u>	<u>Fine &amp; Forfeiture</u>	<u>Nonmajor Governmental</u>	
General	\$ --	\$ 1,332,896	\$ --	\$ 1,332,896
Nonmajor governmental funds	323,110	--	--	323,110
Internal service fund	345,056	--	--	345,056
Agency funds	<u>347,157</u>	<u>--</u>	<u>30,290</u>	<u>377,447</u>
Total	<u>\$1,015,323</u>	<u>\$ 1,332,896</u>	<u>\$ 30,290</u>	<u>\$ 2,378,509</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.

**NOTE F - RECEIVABLES**

<u>Governmental</u>	<u>General</u>	<u>Road &amp; Bridge</u>	<u>Fine &amp; Forfeiture</u>	<u>Electric Franchise Fee</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Accounts	\$ 87,113	\$ 900	\$ 8,703	\$ 349,555	\$ 166,396	\$ 612,667
Leases	74,081	-	-	-	-	74,081
Intergovernmental	<u>912,696</u>	<u>506,565</u>	<u>1,405,526</u>	<u>1,750,000</u>	<u>462,307</u>	<u>5,037,094</u>
Total	<u>\$ 1,073,890</u>	<u>\$ 507,465</u>	<u>\$ 1,414,229</u>	<u>\$ 2,099,555</u>	<u>\$ 628,703</u>	<u>\$ 5,723,842</u>

<u>Business-Type</u>	<u>Navarre Beach</u>	<u>Landfill</u>	<u>Industrial Park</u>	<u>Nonmajor Business-Type</u>	<u>Total</u>
Accounts	\$ 180,276	\$ 223,072	\$ 341	\$ 14,451	\$ 418,140
Interest	-	-	33,200	-	33,200
Notes	-	-	1,442,712	-	1,442,712
Leases	11,164	-	-	-	11,164
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,232</u>	<u>18,232</u>
Total	<u>\$ 191,440</u>	<u>\$ 223,072</u>	<u>\$ 1,476,253</u>	<u>\$ 32,683</u>	<u>\$ 1,923,448</u>

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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

**NOTE G - CAPITAL ASSETS**

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

<b>Governmental activities:</b>	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>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>25,325</u>	<u>2,769</u>	<u>1,833</u>	<u>26,261</u>
Total capital assets being depreciated	54,052	9,076	1,833	61,295
Less accumulated depreciation for:				
Buildings	11,168	1,077	-	12,245
Improvements other than buildings	234	248	-	482
Machinery and equipment	<u>13,626</u>	<u>2,562</u>	<u>1,655</u>	<u>14,533</u>
Total accumulated depreciation	<u>25,028</u>	<u>3,887</u>	<u>1,655</u>	<u>27,260</u>
Total capital assets, being depreciated, net	<u>29,024</u>	<u>5,189</u>	<u>178</u>	<u>34,035</u>
Governmental activities capital assets, net	<u>\$38,027</u>	<u>\$ 5,774</u>	<u>\$ 182</u>	<u>\$43,619</u>
<b>Business-type activities:</b>	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>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	<u>2,893</u>	<u>374</u>	<u>60</u>	<u>3,207</u>
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	<u>2,142</u>	<u>169</u>	<u>41</u>	<u>2,270</u>
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>

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

**NOTE G - CAPITAL ASSETS - Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 1,378,594
Public safety	1,217,341
Physical environment	27,551
Transportation	916,758
Economic environment	1,666
Human services	126,418
Culture and recreation	<u>218,534</u>
Total governmental activities depreciation expense	<u>\$ 3,886,862</u>

Business-type activities

Water and sewer	\$ 315,546
Landfill	359,973
Hangar rental	<u>188,526</u>
Total business-type activities depreciation expense	<u>\$ 864,045</u>

**NOTE H - LONG-TERM**

**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	\$ 6,536,784	\$ 725,751	\$ 17,865	\$ 7,244,670	\$ -
Claims payable	2,822,895	2,687,501	1,204,222	4,306,174	2,651,121
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>\$16,437,307</u>	<u>\$ 6,799,906</u>	<u>\$ 4,752,510</u>	<u>\$18,484,703</u>	<u>\$ 3,880,995</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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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

**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
\$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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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

\$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

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

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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

**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	1,859,123
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>

**4. Defeased Debt Outstanding**

In prior years the County 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 County'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.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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**NOTE I - 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 J - OPERATING LEASES**

The County has entered into various lease agreements for office space. The minimum rental commitments under such leases are as follows:

Year ending <u>September 30,</u>	
2004	\$ 66,033
2005	64,564
2006	37,239
2007	10,968
2008	1,828
Thereafter	<u>-</u>
Total minimum payments required	<u>\$ 180,632</u>

Rental expense for the year ended September 30, 2003 was \$164,742.

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

State and federal laws and regulations require the County 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 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 \$6.9 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2003, represents the

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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**NOTE K - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - Continued**

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	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 County 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 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, 2003, the County held investments of \$1,142,661 to cover the escrow requirement of \$1,134,160. These investments are reported as restricted assets. 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.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

**1. Retirement Plan**

**Participation** - Employees of the County 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.

**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 County contributed an average of 6.17% of each qualified regular employee's gross salary, 12.7% percent of the elected officials' salary, 16.64% of each special risk employee'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 \$2,676,639, \$2,825,308 and \$2,724,923 for the years ended September 30, 2003, 2002, and 2001, respectively.

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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**NOTE L - COMMITMENTS AND CONTINGENCIES - Continued**

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

**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 County expects such amounts, if any, to be immaterial.

**NOTE M - RESERVES AND DESIGNATIONS**

The following is a list of reserves used by the County in the fund level financial statements:

**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
Reserve for boating improvements	291,087
Reserve for encumbrances	57,198
Reserve for long-term intergovernmental receivable	<u>25,000</u>
	1,195,517

**Road and Bridge Fund:**

Reserve for inventory	419,261
Reserve for long-term intergovernmental receivable	<u>137,716</u>
	556,977

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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**NOTE M - RESERVES AND DESIGNATIONS - Continued**

<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 records modernization trust fund	388,415
Reserve for law enforcement training	81,610
Reserve for purchase of law books	33,088
Reserve for construction commitments	<u>1,751,721</u>
	<u>3,040,808</u>
<b>Total Governmental Funds</b>	<b><u>\$12,025,082</u></b>

**NOTE N - 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 of County Commissioners and other County elected

**Santa Rosa County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

**NOTE N - RISK MANAGEMENT - Continued**

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 is 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 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 financial statements 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**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2003**

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**NOTE O - 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 P - 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.

**NOTE Q - CHANGES IN ACCOUNTING PRINCIPLES**

Effective October 1, 2003, the County implemented the provisions of GASB Statements No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and No. 37 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government: Omnibus*. These Statements significantly change the financial reporting model and reporting requirements for the County’s infrastructure and long-term debt. The implementation resulted in a restatement of beginning governmental net assets to \$67,343,536.

**REQUIRED SUPPLEMENTAL INFORMATION**

**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	\$ 12,029,512
Licenses and permits	1,890,500	1,890,500	2,205,200
Intergovernmental	8,375,140	13,319,026	12,740,180
Charges for services	2,802,991	3,197,291	3,058,810
Fines and forfeits	142,500	142,500	168,995
Miscellaneous	1,376,902	1,379,797	1,594,457
Total revenues	<u>25,756,503</u>	<u>31,441,814</u>	<u>31,797,154</u>
<b>Expenditures</b>			
Current			
General government	18,260,674	24,840,898	22,725,269
Public safety	25,622,850	25,317,292	23,081,306
Physical environment	769,085	1,122,850	1,062,583
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
Reserve for contingencies	1,810,445	1,156,943	--
Total expenditures	<u>52,241,074</u>	<u>58,781,248</u>	<u>53,546,677</u>
Excess (deficiency) of revenues over expenditures	(26,484,571)	(27,339,434)	(21,749,523)
<b>Other financing sources (uses)</b>			
Transfers in	23,403,692	23,710,720	22,859,667
Transfers out	(1,759,868)	(2,637,622)	(3,455,209)
Total other financing sources (uses)	<u>21,643,824</u>	<u>21,073,098</u>	<u>19,404,458</u>
Net change in fund balances	(4,840,747)	(6,266,336)	(2,345,065)
Fund balance, beginning of year	4,796,040	6,266,336	10,738,621
Change in reserve for inventory	--	--	1,028
Fund balance, end of year	<u>\$ (44,707)</u>	<u>\$ --</u>	<u>\$ 8,394,584</u>

**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
<b>Revenues</b>			
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>
<b>Expenditures</b>			
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)
<b>Other financing sources (uses)</b>			
Transfers in	28,130	942,804	927,624
Transfers 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>

**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
<b>Revenues</b>			
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	2,093,265
Fines and forfeits	1,548,980	1,140,480	1,093,621
Miscellaneous	104,500	104,500	130,100
<b>Total revenues</b>	<u>23,520,080</u>	<u>23,520,080</u>	<u>22,443,255</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	1,543,575	1,551,975	1,512,215
Public safety	651,180	671,848	668,835
Reserve for contingencies	359,365	246,930	--
<b>Total expenditures</b>	<u>2,554,120</u>	<u>2,470,753</u>	<u>2,181,050</u>
Excess (deficiency) of revenues over expenditures	20,965,960	21,049,327	20,262,205
<b>Other financing sources (uses)</b>			
Transfers in	--	--	1,022,621
Transfers out	(23,077,860)	(23,168,940)	(22,251,091)
<b>Total other financing sources (uses)</b>	<u>(23,077,860)</u>	<u>(23,168,940)</u>	<u>(21,228,470)</u>
<b>Net change in fund balances</b>	(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>
<b>Fund balance, end of year</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,762,717</u>

**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	(1,330,000)	(2,604,441)	(2,604,441)
Total other financing sources (uses)	<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>

**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	(285,000)	(358,763)	(358,763)
Total other financing sources (uses)	<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 basic financial statements of Santa Rosa County, Florida, 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 Santa Rosa County, Florida's basic 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 Santa Rosa County, Florida'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 of County Commissioners, 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 Geel, LLP*

January 30, 2004



O'SULLIVAN CREEL, LLP  
Certified Public Accountants & Consultants

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

**MANAGEMENT LETTER**

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 basic financial statements of the Santa Rosa County, Florida, 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. Items under Chapter 10.554 (1) (g) 1-5, Rules of the Auditor General, are addressed in the separately issued management letters of the Board of County Commissioners, Sheriff, Clerk, Tax Collector, Property Appraiser, and Supervisor of Elections. For the County as a whole, items under the Rules of the Auditor General Chapter 10.554 (1) (g) 6 are addressed as follows:

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

As required by the Rules of the Auditor General (Section 10.554 (1) (g) 6. b.), we determined that the financial information for Santa Rosa County, Florida included in the financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with Santa County, Florida's audited basic financial statements.

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

This management letter 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

**Annual Audit Report  
County-Wide  
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.