

**BOARD OF COUNTY COMMISSIONERS**

**SANTA ROSA COUNTY, FLORIDA  
FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**BOARD OF COUNTY COMMISSIONERS**  
**Santa Rosa County, Florida**  
**FINANCIAL STATEMENTS**  
**September 30, 2009**

---

---

**CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	3
<b>SPECIAL PURPOSE FINANCIAL STATEMENTS</b>	
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	6
Statement of Net Assets – Proprietary Funds .....	7
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds .....	8
Statement of Cash Flows – Proprietary Funds .....	9
Notes to the Financial Statements .....	10
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	37
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge Fund .....	38
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Electricity Franchise Fee Fund .....	39
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Disaster Fund.....	40
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Other Capital Projects Fund .....	41
Schedule of Funding Progress for Other Post Employment Benefits .....	42
Notes to Required Supplemental Information.....	43

**BOARD OF COUNTY COMMISSIONERS**  
**Santa Rosa County, Florida**  
**FINANCIAL STATEMENTS**  
**September 30, 2009**

---

---

**CONTENTS**

<b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....</b>	<b>44</b>
<b>MANAGEMENT LETTER .....</b>	<b>47</b>

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special-purpose financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida (hereinafter referred to as "Board"), as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note A to the financial statements, the special-purpose financial statements consists of only the *fund level* financial statements as defined in Government Accounting Standards Board Statement 34, and do not include presentations of *government-wide* financial statements of the Board, nor are they intended to be a complete presentation of the financial position and changes in financial position of Santa Rosa County, Florida, taken as a whole.

In our opinion, the financial statements referred to above, present fairly, in all material respects, each major fund and aggregate remaining fund information of the Board, as of September 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2010 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 37 through 41 and the schedule of funding progress on page 42 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*O'Sullivan Creel, LLP*

March 30, 2010

**SPECIAL PURPOSE  
FINANCIAL STATEMENTS**

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

**September 30, 2009**

ASSETS	Major Funds					Non-major	Total
	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Capital Projects	Other Governmental Funds	Governmental Funds
Cash and cash equivalents	\$ 5,896,539	\$ 10,239,753	\$ 6,042,230	\$ 1,885,574	\$ 2,858,990	\$ 17,289,808	\$ 44,212,894
Investments	5,982,373	--	--	--	--	199,589	6,181,962
Receivables, net of uncollectibles							
Accounts	60,273	7,035	496,309	--	--	130,410	694,027
Leases - current	485,185	--	--	--	--	--	485,185
Due from other governments	4,052,714	867,423	--	--	1,555,837	695,914	7,171,888
Due from other funds	300,155	142,500	3,300,000	--	--	--	3,742,655
Advances to other funds	--	76,997	--	--	--	--	76,997
Inventory	109,161	321,615	--	--	--	--	430,776
Prepaid items	5,625	--	--	--	--	--	5,625
Total assets	<u>\$ 16,892,025</u>	<u>\$ 11,655,323</u>	<u>\$ 9,838,539</u>	<u>\$ 1,885,574</u>	<u>\$ 4,414,827</u>	<u>\$ 18,315,721</u>	<u>\$ 63,002,009</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 434,482	\$ 379,008	\$ --	\$ --	\$ 869,324	\$ 443,543	\$ 2,126,357
Contracts payable	--	--	--	--	492,659	--	492,659
Accrued wages payable	477,660	204,322	--	--	--	17,491	699,473
Deposits	287,463	--	--	--	--	--	287,463
Unearned revenue	170,345	--	--	--	--	17,500	187,845
Due to other funds	--	--	--	3,300,000	--	442,655	3,742,655
Due to other governments	333,253	--	--	--	--	--	333,253
Advance payable to other funds	--	--	--	--	--	76,997	76,997
Total liabilities	<u>1,703,203</u>	<u>583,330</u>	<u>--</u>	<u>3,300,000</u>	<u>1,361,983</u>	<u>998,186</u>	<u>7,946,702</u>
<b>FUND BALANCES</b>							
Fund balances							
Reserved	1,749,180	4,402,991	--	--	--	5,832,748	11,984,919
Unreserved, reported in:							
General fund	13,439,642	--	--	--	--	--	13,439,642
Special revenue funds	--	6,669,002	9,838,539	(1,414,426)	--	7,896,430	22,989,545
Debt service fund	--	--	--	--	--	156,178	156,178
Capital project funds	--	--	--	--	3,052,844	3,273,640	6,326,484
Permanent fund	--	--	--	--	--	158,539	158,539
Total fund balances	<u>15,188,822</u>	<u>11,071,993</u>	<u>9,838,539</u>	<u>(1,414,426)</u>	<u>3,052,844</u>	<u>17,317,535</u>	<u>55,055,307</u>
Total liabilities and fund balances	<u>\$ 16,892,025</u>	<u>\$ 11,655,323</u>	<u>\$ 9,838,539</u>	<u>\$ 1,885,574</u>	<u>\$ 4,414,827</u>	<u>\$ 18,315,721</u>	<u>\$ 63,002,009</u>

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

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

**Year ended September 30, 2009**

	Major Funds					Non-major	Total Governmental Funds
	General	Road and Bridge	Electricity Franchise Fee	Disaster	Other Capital Projects	Other Governmental Funds	
Revenues							
Taxes	\$ 47,366,793	\$ 8,124,004	\$ --	\$ --	\$ --	\$ 1,020,012	\$ 56,510,809
Permits, fees and special assessments	1,073,398	--	5,807,671	--	--	6,080,867	12,961,936
Intergovernmental	10,135,972	4,192,157	--	1,587,000	6,342,510	2,779,172	25,036,811
Charges for services	5,458,376	1,444,338	--	--	--	1,596,351	8,499,065
Fines and forfeits	255,347	39,777	--	--	--	157,143	452,267
Miscellaneous	1,812,232	199,837	17,721	2,353	12,068	253,337	2,297,548
<b>Total revenues</b>	<b>66,102,118</b>	<b>14,000,113</b>	<b>5,825,392</b>	<b>1,589,353</b>	<b>6,354,578</b>	<b>11,886,882</b>	<b>105,758,436</b>
Expenditures							
Current							
General government	19,790,675	--	--	--	--	907,265	20,697,940
Public safety	35,060,541	--	--	--	--	7,145,447	42,205,988
Physical environment	1,197,679	359,440	--	--	--	927,857	2,484,976
Transportation	976,180	14,080,226	--	--	--	2,040,450	17,096,856
Economic environment	172,218	--	--	--	--	2,629,726	2,801,944
Human services	4,081,273	--	--	--	--	128,710	4,209,983
Culture and recreation	2,917,275	--	--	--	--	83,898	3,001,173
Capital outlay	--	--	--	--	11,415,074	444,613	11,859,687
Debt service	--	--	--	--	15,000	3,019,019	3,034,019
<b>Total expenditures</b>	<b>64,195,841</b>	<b>14,439,666</b>	<b>--</b>	<b>--</b>	<b>11,430,074</b>	<b>17,326,985</b>	<b>107,392,566</b>
Excess (deficiency) of revenues over expenditures	1,906,277	(439,553)	5,825,392	1,589,353	(5,075,496)	(5,440,103)	(1,634,130)
Other financing sources (uses)							
Transfer in	2,470,245	1,621,820	--	--	3,505,036	5,374,985	12,972,086
Transfer out	(2,883,585)	(300,984)	(4,609,921)	--	(15,400)	(5,162,196)	(12,972,086)
New debt issuance	--	--	--	--	3,000,000	2,194,500	5,194,500
<b>Total other financing sources (uses)</b>	<b>(413,340)</b>	<b>1,320,836</b>	<b>(4,609,921)</b>	<b>--</b>	<b>6,489,636</b>	<b>2,407,289</b>	<b>5,194,500</b>
<b>Net change in fund balances</b>	<b>1,492,937</b>	<b>881,283</b>	<b>1,215,471</b>	<b>1,589,353</b>	<b>1,414,140</b>	<b>(3,032,814)</b>	<b>3,560,370</b>
Fund balances, beginning of year	13,652,047	10,148,972	8,623,068	(3,003,779)	1,638,704	20,350,349	51,409,361
Change in reserve for inventory	43,838	41,738	--	--	--	--	85,576
<b>Fund balances, end of year</b>	<b>\$ 15,188,822</b>	<b>\$ 11,071,993</b>	<b>\$ 9,838,539</b>	<b>\$ (1,414,426)</b>	<b>\$ 3,052,844</b>	<b>\$ 17,317,535</b>	<b>\$ 55,055,307</b>

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

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

**September 30, 2009**

	Business-type Activities				Governmental
	Major Funds		Non-major		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,869,411	\$ 3,678,166	\$ 465,728	\$ 6,013,305	\$ 4,719,875
Investments	--	--	--	--	586,754
Accounts receivable	274,097	407,744	6,536	688,377	24,589
Total current assets	<u>2,143,508</u>	<u>4,085,910</u>	<u>472,264</u>	<u>6,701,682</u>	<u>5,331,218</u>
Noncurrent assets					
Restricted investments	--	3,617,674	--	3,617,674	--
Deferred charges	--	30,399	--	30,399	--
Capital assets, net of accumulated depreciation	8,930,008	6,417,075	3,347,981	18,695,064	6,018
Total noncurrent assets	<u>8,930,008</u>	<u>10,065,148</u>	<u>3,347,981</u>	<u>22,343,137</u>	<u>6,018</u>
Total assets	<u>\$ 11,073,516</u>	<u>\$ 14,151,058</u>	<u>\$ 3,820,245</u>	<u>\$ 29,044,819</u>	<u>\$ 5,337,236</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 77,666	\$ 89,329	\$ 6,127	\$ 173,122	\$ 1,137,483
Contracts payable	26,300	--	--	26,300	--
Current portion of claims payable	--	--	--	--	1,932,455
Accrued wages payable	18,744	62,288	--	81,032	9,653
Due to other governments	--	--	1,272	1,272	--
Compensated absences - current	50,000	160,000	--	210,000	25,000
Revenue bonds - current	--	232,500	--	232,500	--
Note payable - current	367,885	--	--	367,885	--
Accrued interest	--	14,151	--	14,151	--
Deposits	9,700	32,899	300	42,899	--
Current portion of landfill closure costs	--	210,830	--	210,830	--
Total current liabilities	<u>550,295</u>	<u>801,997</u>	<u>7,699</u>	<u>1,359,991</u>	<u>3,104,591</u>
Noncurrent liabilities					
Long term portion of compensated absences	68,206	175,227	--	243,433	90,348
Long term portion of claims payable	--	--	--	--	1,514,759
Long term portion of landfill closure costs	--	8,970,406	--	8,970,406	--
Revenue bonds payable - net of discount	--	1,556,705	--	1,556,705	--
Note payable - noncurrent	5,101,737	--	--	5,101,737	--
OPEB liability	9,437	29,125	--	38,562	4,532
Total noncurrent liabilities	<u>5,179,380</u>	<u>10,731,463</u>	<u>--</u>	<u>15,910,843</u>	<u>1,609,639</u>
Total liabilities	<u>5,729,675</u>	<u>11,533,460</u>	<u>7,699</u>	<u>17,270,834</u>	<u>4,714,230</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,460,386	4,627,870	3,347,981	11,436,237	6,018
Restricted for debt service	--	53,215	--	53,215	--
Restricted for landfill closure	--	3,564,459	--	3,564,459	--
Unrestricted	1,883,455	(5,627,946)	464,565	(3,279,926)	616,988
Total net assets	<u>5,343,841</u>	<u>2,617,598</u>	<u>3,812,546</u>	<u>11,773,985</u>	<u>623,006</u>
Total liabilities and net assets	<u>\$ 11,073,516</u>	<u>\$ 14,151,058</u>	<u>\$ 3,820,245</u>	<u>\$ 29,044,819</u>	<u>\$ 5,337,236</u>

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

**Board of County Commissioners**  
**Santa Rosa County, Florida**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS - PROPRIETARY FUNDS**  
**Year ended September 30, 2009**

	Business-type Activities				Governmental
	Major Funds		Non-major		Activities
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	Internal Service Fund
Operating revenues					
Licenses and permits	\$ --	\$ 10,018	\$ --	\$ 10,018	\$ --
Charges for services	1,892,873	4,306,695	204,100	6,403,668	2,203,771
Insurance proceeds	--	--	--	--	665,133
Miscellaneous	--	387	271	658	1,943
Total operating revenues	<u>1,892,873</u>	<u>4,317,100</u>	<u>204,371</u>	<u>6,414,344</u>	<u>2,870,847</u>
Operating expenses					
Personal services	581,722	1,949,702	--	2,531,424	264,691
Contract services	29,535	207,708	1,700	238,943	52,721
Supplies	146,610	47,660	912	195,182	18,062
Repairs and maintenance	227,973	329,634	16,519	574,126	725
Utilities	320,327	85,720	16,140	422,187	--
Depreciation	522,357	607,479	331,069	1,460,905	1,438
Travel and per diem	60	33,790	--	33,850	--
Insurance	9,480	17,480	--	26,960	76,801
Communications	5,599	14,719	620	20,938	1,885
Advertising	841	1,145	--	1,986	--
Fuel and oil	8,824	279,433	--	288,257	--
Rentals	--	972	--	972	--
Landfill closure and maintenance	--	408,730	--	408,730	--
Claims	--	--	--	--	2,813,056
State assessment	--	--	--	--	60,790
Miscellaneous	4,486	15,264	--	19,750	14,157
Total operating expenses	<u>1,857,814</u>	<u>3,999,436</u>	<u>366,960</u>	<u>6,224,210</u>	<u>3,304,326</u>
Operating income (loss)	35,059	317,664	(162,589)	190,134	(433,479)
Non-operating revenues (expenses)					
Investment income	13,426	147,404	1,769	162,599	49,390
Interest expense	(222,436)	(94,802)	(50,449)	(367,687)	--
Sale of recycled materials	--	53,013	--	53,013	--
Gain (loss) on sale of equipment	(415)	(3,272)	--	(3,687)	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Amortization & other bond costs	--	(15,175)	--	(15,175)	--
Total non-operating revenues (expenses)	<u>(209,425)</u>	<u>27,168</u>	<u>(48,680)</u>	<u>(230,937)</u>	<u>49,390</u>
Income (loss) before capital contributions	(174,366)	344,832	(211,269)	(40,803)	(384,089)
Capital contribution	4,472	--	(1,000)	3,472	--
Change in net assets	(169,894)	344,832	(212,269)	(37,331)	(384,089)
Net assets, beginning of year	<u>5,513,735</u>	<u>2,272,766</u>	<u>4,024,815</u>	<u>11,811,316</u>	<u>1,007,095</u>
Net assets, end of year	<u>\$ 5,343,841</u>	<u>\$ 2,617,598</u>	<u>\$ 3,812,546</u>	<u>\$ 11,773,985</u>	<u>\$ 623,006</u>

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

**Board of County Commissioners  
Santa Rosa County, Florida  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended September 30, 2009**

	Business-type Activities				Governmental Activities
	Major Funds		Non-Major		
	Navarre Beach	Landfill	Peter Prince Field	Total Enterprise Funds	
Cash flows from operating activities					
Cash received from customers	\$ 2,046,982	\$ 4,417,081	\$ 203,063	\$ 6,667,126	\$ 1,943
Cash paid to suppliers	(935,862)	(1,065,665)	883,670	(1,117,857)	(164,351)
Cash paid to employees	(556,966)	(1,898,166)	--	(2,455,132)	(252,281)
Cash received from interfund services provided	--	--	--	--	2,869,715
Cash paid for internal services provided	--	--	--	--	(2,460,190)
Net cash provided (used) by operating activities	554,154	1,453,250	1,086,733	3,094,137	(5,164)
Cash flows from non capital financing activities					
Repayment of loans from other funds	--	300,000	--	300,000	--
Sale of recycled materials	--	53,013	--	53,013	--
Loans to other funds	--	--	(365,000)	(365,000)	--
Aid to private organizations	--	(60,000)	--	(60,000)	--
Net cash provided (used) by non capital financing activities	--	293,013	(365,000)	(71,987)	--
Cash flows from capital and related financing activities					
Federal/State grants	4,472	--	(425)	4,047	--
Purchases of capital assets	(34,404)	(379,039)	--	(413,443)	--
Principal paid on capital debt	(354,352)	(220,000)	(218,453)	(792,805)	--
Interest paid on capital debt	(222,436)	(96,362)	(51,270)	(370,068)	--
Net cash provided (used) by capital and related financing activities	(606,720)	(695,401)	(270,148)	(1,572,269)	--
Cash flows from investing activities					
Interest and dividends	13,426	147,404	1,769	162,599	49,390
Net sale (purchase) of investments	799,595	(240,405)	--	559,190	2,724,477
Net cash provided (used) by investing activities	813,021	(93,001)	1,769	721,789	2,773,867
Net increase (decrease) in cash and cash equivalents	760,455	957,861	453,354	2,171,670	2,768,703
Cash and cash equivalents at beginning of year	1,108,956	2,720,305	12,374	3,841,635	1,951,172
Cash and cash equivalents at end of year	\$ 1,869,411	\$ 3,678,166	\$ 465,728	\$ 6,013,305	\$ 4,719,875
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 35,059	\$ 317,664	\$ (162,589)	\$ 190,134	\$ (433,479)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	522,357	607,479	331,069	1,460,905	1,438
Landfill closure costs	--	408,730	--	408,730	--
Changes in assets and liabilities:					
Accounts receivable	(44,421)	119,073	(1,608)	73,044	811
Due to other governments	--	--	915,400	915,400	1,900
Accounts payable	(182,127)	(32,140)	4,161	(210,106)	391,804
Accrued compensation	2,302	14,849	--	17,151	2,339
Compensated absences	13,017	7,562	--	20,579	5,539
Due from other governments	197,250	--	--	197,250	--
OPEB liability	9,437	29,125	--	38,562	4,532
Claims payable	--	--	--	--	19,952
Deposits	1,280	(19,092)	300	(17,512)	--
Net cash provided (used) by operating activities	\$ 554,154	\$ 1,453,250	\$ 1,086,733	\$ 3,094,137	\$ (5,164)
Noncash Investing, Capital and Financing Activities:					
Disposal of assets	\$ 415	\$ 3,272	\$ -	\$ 3,687	\$ -
Amortized bond refunding costs	-	15,175	-	15,175	-
Amortized deferred charges	-	(4,449)	-	(4,449)	-
	\$ 415	\$ 13,998	\$ -	\$ 14,413	\$ -

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

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

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**GUIDE TO NOTES**

	<b><u>Page</u></b>
Note A Summary of Accounting Policies .....	11
Note B Cash and Investments .....	18
Note C Due From Other Governmental Units .....	20
Note D Interfund Transactions .....	20
Note E Capital Assets .....	21
Note F Long-Term Debt .....	23
Note G Conduit Debt Obligations .....	28
Note H Landfill Closure and Postclosure Care Costs .....	29
Note I Commitments and Contingencies .....	29
Note J Reserves .....	31
Note K Risk Management .....	32
Note L Other Post Employment Benefits .....	34
Note M Compliance and Accountability .....	36

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies applied consistently in the preparation of the financial statements follows:

**1. Reporting Entity**

The Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity", established standards for defining the financial reporting entity. In developing these standards, the GASB assumed that all governmental organizations are responsible to elected officials at the federal, state, or local level. Financial reporting by a state or local government should report the elected officials' accountability for those organizations. As concluded by the GASB, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

**Dependent Special Districts**

***Blackwater Soil & Water Conservation District*** - The Blackwater Soil & Water Conservation District (Blackwater) was created by the Florida Legislature in 1942 pursuant to Florida Statute Section 582 in response to a petition to the State Soil Conservation Board. Santa Rosa County was established as the local governing authority and is Blackwater's only source of funding. Blackwater does not meet the criteria as a legally separate entity in that it cannot buy, sell, own, lease and mortgage property in its own name. The activities of Blackwater are included in these financial statements as a department of the Board of County Commissioners within the General Fund.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

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

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

***Santa Rosa County Health Facilities Authority*** - The Santa Rosa County Health Facilities Authority (Authority) was created in 1982 by County Ordinance No. 82-02 pursuant to Section 154, Florida Statutes. In accordance with Florida Statutes Section 189.403, the Authority qualifies as a dependent special district. Additionally, based on the criteria of GASB Statement No. 14 outlined above, the Authority is a component unit of the Board. The 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 the 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 1993 bonds were defeased in 2003 when the Authority issued approximately \$58 million in new bonds. The debt outstanding is a limited obligation of the Authority and not a general obligation of the Authority or the Board. The Authority is not obligated to pay the principal and interest on the bonds except from the revenues of the Authority pursuant to its loan agreement with Gulf Breeze Hospital. The Authority has no financial activity and the bonds issued under the Authority's name are recorded in the books of the hospital.

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

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

**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, permanent and capital projects funds. Proprietary funds include enterprise funds and an internal service fund.

**3. Basis of Accounting**

**FUND FINANCIAL STATEMENTS**

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

**GOVERNMENTAL FUNDS**

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

The major governmental funds are:

- General Fund – This is the Board’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- Road and Bridge Fund – Accounts for that portion of state fuel taxes and fees designated for road improvement projects.
- Electricity Franchise Fee Fund – Accounts for the collection and distribution of Electricity Franchise Fees.
- Disaster Fund – Accounts for revenues and expenditures related to significant events such as Hurricanes Ivan, Dennis and Katrina.
- Other Capital Projects – Accounts for the purchase or construction of other capital facilities which are not financed by proprietary funds or trust funds.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

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

**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 – except for certain grant revenues which are recognized as revenues in the same period the grant expenditures occurred). This includes investment earnings, property taxes, special assessments, and fines and forfeitures. Certain state-levied locally shared taxes including motor vehicle license tax and fuel taxes are subject to income recognition when the underlying transaction occurs. Reimbursements due for grant 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.

**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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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 Board'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,

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

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

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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. 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.

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.

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.

**4. Budgets and Budgetary Accounting**

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

Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund correspondingly increased by motion recorded in the minutes. The budget officer may authorize certain inter-departmental and intra-departmental budget amendments, provided that the total appropriation of the fund 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. As defined by GASB Statement No. 31, money market investments are reported at amortized cost rather than fair value.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

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

**7. Inventory**

Inventory consists of gas, oil, automotive parts, road signs, culverts, and various other items used by the road department and insecticides used by mosquito control operations. Inventory is valued at cost (first in, first out). The cost is recorded as an expenditure at the time the inventory is purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**8. Accounting for Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Constructed or purchased capital assets are recorded at historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000 and a useful life of one year or more.

Capital assets in governmental funds, including infrastructure such as streets, drainage systems, culverts, traffic signals, and signs are recorded as expenditures in the governmental funds.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 - 50 years
Water Distribution System	20 years
Improvements	10 - 20 years
Equipment	3 - 10 years
Infrastructure	40 years

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

**9. Compensated Absences**

Employees may accumulate a limited amount of earned but unused sick leave, annual leave, and compensatory time, which will be paid upon separation from service. For the governmental fund statements, expenditures are not recognized until payments are made to employees.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

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

Proprietary fund types accrue benefits in the period they are earned. The majority of the compensated absences liability has been paid out of the General (75%) and the Road and Bridge (25%) funds.

**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, 2009, and expected to be collected during the period November 2009 through March 2010 are as follows:

General Fund	\$ 44,288,430
Road and Bridge Fund	\$ 1,838,790
Fine and Forfeiture Fund	\$ 244,210

These taxes, although measurable, are not recognized as revenue at September 30, 2009, since they are not considered to be collectible within the current period or soon enough thereafter to be used to pay current period liabilities.

**11. Landfill Closure Costs**

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

**12. Allowance for Uncollectible Amounts**

Accounts receivable for the Board are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

**NOTE B - CASH AND INVESTMENTS**

At September 30, 2009, the bank held deposits of \$55,661,199 (before outstanding checks and deposits in transit) consisting of amounts held in checking, savings, money market or time deposit accounts. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

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

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

- a. The Local Government Surplus Funds Trust Fund (SBA) (Maximum of 75%)\*;
- b. Florida Local Government Investment Trust (FLGIT) (State Investment Trust) (Maximum of 80%)\*;
- c. Qualified money market mutual funds (Maximum of 50%)\*;
- d. U.S. Treasury bills, notes and bonds (100% allowed);
- e. Obligations guaranteed by the U.S. Government as to principal and interest such as obligations of the Government National Mortgage Association (GNMA) (Maximum of 5%)\*;
- f. Non-callable Government Agency securities (Maximum of 25%)\*:
  - (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 (Maximum of 50%)\*;
- h. Repurchase agreements for investments authorized in categories d, e, or f above. (Maximum of 40%)\*

\*To limit the County's concentration of credit risk these are the maximum percentages of the County's total portfolio that can be in each type of investment.

Interest rate risk is limited by no security having a maturity exceeding 2 years. The weighted average to maturity for the portfolio shall be less than 365 days. Investments placed with the FLGIT, which typically invests in instruments with maturities of less than 5 years, are exempt from this limitation.

The FLGIT, also known as Florida Trust, 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 by providing investment vehicles for funds that can be invested in short- to intermediate-term securities and have returns generally greater than the national average for money market instruments. The Florida Trust offers two open-ended, professionally managed funds available only to public entities in Florida.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

**The Investment Trust:**

A short term bond fund with an investment portfolio structured to maintain safety of principal and maximize available yield through a balance of quality and diversification. As of September 30, 2009 the Investment Trust managed \$444,777,469 for 30 local governmental entities. At a price per share of \$22.5458 the Investment Trust has produced a 12-month total return of 3.806% and a market yield of 3.13%. This short term bond fund invests in U.S. Treasuries and Agency Securities, Mortgages, Commercial Paper, Asset-Backed Securities, and "A" rated Corporate Securities.

**The Day to Day Fund:**

A new money market product, offering a fiscally conservative diversification option for Florida local governments. Fund features include same day transactions and convenient online account management. The Florida Trust Day to Day Fund is a money market product created in January 2009 in response to demand to provide a fiscally conservative diversification option for Florida local governments. The fund is AAA-rated by Standard and Poor's and is governed by the same board and advisory committee that oversees the Investment Trust.

Schedule of Cash and Investments at September 30, 2009

	<u>Carrying Amount</u>
<u>Investments</u>	
FLGIT Investment Trust Fund	\$ 10,386,390
Total Investments	10,386,390
 <u>Cash</u>	
Cash in Bank	17,813,798
Day to Day Trust	37,130,952
Petty Cash	1,325
Total Cash	<u>54,946,075</u>
Total Cash and Investments	<u>\$ 65,332,465</u>
 <u>Financial Statement Presentation</u>	
Cash and Cash Equivalents:	
Governmental	\$ 44,212,895
Enterprise	6,013,305
Internal Service	4,719,875
Investments	
Governmental	6,181,962
Enterprise	3,617,674
Internal Service	586,754
Total Cash and Investments	<u>\$ 65,332,465</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

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

Restricted cash and investments typically consist of funds set aside for the payment of debt or to ensure assets producing 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	\$ 53,215
Landfill escrow	<u>3,564,459</u>
	<u>\$ 3,617,674</u>

**NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS**

At September 30, 2009, amounts due from other governmental units were as follows:

Federal Government – Grants	\$ 1,796,781
State of Florida – Grants	462,645
State of Florida – Taxes	922,935
Local taxes	474,402
Other elected officials	3,245,547
Other	<u>269,578</u>
Total	<u>\$ 7,171,888</u>

**NOTE D – INTERFUND TRANSACTIONS**

Interfund transactions for the year ended September 30, 2009 were as follows:

	Interfund Receivable	Interfund Payable	Interfund Transfers in	Interfund Transfers out
General fund	\$ 300,155	\$ --	\$ 2,470,245	\$ 2,883,585
Road & Bridge fund	142,500	--	1,621,820	300,984
Electric Franchise Fee fund	3,300,000	--	--	4,609,921
Disaster fund	--	3,300,000	--	--
Other Capital Projects	--	--	3,505,036	15,400
Nonmajor Governmental funds	--	<u>442,655</u>	<u>5,374,985</u>	<u>5,162,196</u>
Total	<u>\$ 3,742,655</u>	<u>\$ 3,742,655</u>	<u>\$ 12,972,086</u>	<u>\$ 12,972,086</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE D – INTERFUND TRANSACTIONS - Continued**

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) move unrestricted revenues collected in the general fund to finance various programs in accordance with budgetary authorizations.

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 E – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows (in thousands):

<b>Governmental activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 15,537	\$ 5,515	\$ --	\$ 21,052
Construction in progress	<u>7,401</u>	<u>6,800</u>	<u>1,941</u>	<u>12,260</u>
Total capital assets not being depreciated	22,938	12,315	1,941	33,312
Other capital assets:				
Buildings	54,579	767	--	55,493
Improvements other than buildings	98,177	3,308	87	101,398
Machinery and equipment	<u>25,670</u>	<u>4,393</u>	<u>881</u>	<u>29,182</u>
Total capital assets being depreciated	178,426	8,468	968	185,926
Less accumulated depreciation for:				
Buildings	24,078	2,595	--	26,673
Improvements other than buildings	29,992	3,121	2	33,111
Machinery and equipment	<u>15,395</u>	<u>2,537</u>	<u>722</u>	<u>17,210</u>
Total accumulated depreciation	<u>69,465</u>	<u>8,253</u>	<u>724</u>	<u>76,994</u>
Total capital assets being depreciated, net	<u>108,961</u>	<u>215</u>	<u>244</u>	<u>108,932</u>
Governmental activities capital assets, net	<u>\$ 131,899</u>	<u>\$ 12,530</u>	<u>\$ 2,185</u>	<u>\$ 142,244</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE E – CAPITAL ASSETS - Continued**

<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,191	\$ --	\$ --	\$ 1,191
Construction in progress	<u>477</u>	<u>38</u>	<u>16</u>	<u>499</u>
Total capital assets not being depreciated	1,668	38	16	1,690
Other capital assets:				
Buildings	2,699	16	--	2,715
Improvements other than buildings	24,303	9	--	24,312
Furniture, fixtures and equipment	<u>5,619</u>	<u>402</u>	<u>166</u>	<u>5,855</u>
Total capital assets being depreciated	<u>32,621</u>	<u>427</u>	<u>166</u>	<u>32,882</u>
Less accumulated depreciation for:				
Buildings	979	141	--	1,120
Improvements other than buildings	10,356	940	--	11,296
Furniture, fixtures and equipment	<u>3,208</u>	<u>402</u>	<u>149</u>	<u>3,461</u>
Total accumulated depreciation	<u>14,543</u>	<u>1,483</u>	<u>149</u>	<u>15,877</u>
Total capital assets being depreciated, net	<u>18,078</u>	<u>(1,056)</u>	<u>17</u>	<u>17,005</u>
Business-type activities capital assets, net	<u>\$ 19,746</u>	<u>\$ (1,018)</u>	<u>\$ 33</u>	<u>\$ 18,695</u>

Additions to accumulated depreciation do not agree with depreciation expense due to transfers of capital assets between funds.

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,653,012
Public safety	313,815
Physical environment	102,760
Transportation	3,268,552
Economic environment	74,986
Human services	111,010
Culture and recreation	<u>1,123,943</u>
Total governmental activities depreciation expense	<u>\$ 7,648,078</u>

Business-type activities

Water and sewer	\$ 522,357
Landfill	607,479
Hangar rental	<u>331,069</u>
Total business-type activities depreciation expense	<u>\$ 1,460,905</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE F - LONG-TERM DEBT**

**1. Changes in Long-Term Debt**

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

	Balance October 1, <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2009</u>	Amount Due within <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 3,458,081	\$ 1,860,705	\$ 1,942,041	\$ 3,376,745	\$ 1,600,000
Claims payable	3,427,262	2,551,435	2,531,483	3,447,214	1,932,455
Revenue bonds	2,082,500	--	220,000	1,862,500	232,500
Notes payable	3,171,870	3,000,000	636,650	5,535,220	836,850
Special assessment notes	<u>7,526,784</u>	<u>2,194,500</u>	<u>1,613,624</u>	<u>8,107,660</u>	<u>1,553,403</u>
	<u>\$ 19,666,497</u>	<u>\$ 9,606,640</u>	<u>\$ 6,943,798</u>	<u>\$ 22,329,339</u>	<u>\$ 6,155,208</u>
Business-type activities:					
Compensated absences	\$ 432,855	\$ 236,208	\$ 215,630	\$ 453,433	\$ 210,000
Landfill closure costs	8,772,506	408,730	--	9,181,236	210,830
Revenue bonds	2,082,500	--	220,000	1,862,500	232,500
Notes payable	6,042,426	--	572,803	5,469,623	367,885
OPEB liability	<u>--</u>	<u>38,562</u>	<u>--</u>	<u>38,562</u>	<u>--</u>
	<u>\$ 17,330,287</u>	<u>\$ 683,500</u>	<u>\$ 1,008,433</u>	<u>\$ 17,005,354</u>	<u>\$ 1,021,215</u>

Unamortized bond discounts totaling \$5,747 and deferred losses on refunding of bonds totaling \$67,549 are netted against the liability in the proprietary funds. Deferred bond issue costs were \$30,399 at year end.

Special assessment notes are fully secured by annual assessments made against property owners of the specific area that benefited from the proceeds of the notes. The County has no legal obligation to levy ad valorem taxes or cover the notes in case of default by the property owners. The County does, however, maintain a moral commitment to cover the debt payments until such time as the property owners can make the payments.

**2. Descriptions of Bonds and Notes**

Bonds and notes payable at September 30, 2009 are comprised of the following:

General government - notes payable

\$3,700,000 note payable to bank for the acquisition and construction of facilities at the Pace Athletic Field. The note is due in 36 quarterly payments of \$90,763 to \$187,521 plus interest at 3.43%, secured by non-ad valorem revenues.

1,359,387

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

---

**NOTE F - LONG-TERM DEBT - Continued**

\$325,000 note payable to bank for the acquisition and construction of facilities in the Bagdad Community Center. The note is due in 28 quarterly payments of \$11,607 plus interest at 3.74%, secured by non-ad valorem revenues.	139,286
\$1,200,000 Third Cent Tourist Development Tax Revenue Note payable to bank for the construction of a tourist information center in Navarre. The note is due in 60 quarterly payments of \$4,601 to \$9,069, with a balloon payment of \$817,832 in January 2022, plus interest at 4.79%, secured by non-ad valorem revenues.	1,036,547
\$4,825,000 special assessment note payable to bank for the construction of certain restoration improvements to Navarre Beach. The note is due in 28 quarterly payments of \$172,321 plus interest at 3.66%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	2,240,178
\$900,000 special assessment note payable to bank for the construction of certain restoration improvements to Navarre Beach. The note is due in 27 quarterly payments of \$33,333 plus interest at 3.76%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	433,333
\$495,570 special assessment note payable to bank for the construction of certain road improvements in the Blackwater River and Smuggler's Cove subdivisions. The note is due in 36 quarterly payments of \$13,777 plus interest at 4.28%, secured by non-ad valorem revenues. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	344,424
\$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 2010. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	10,161
\$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.	98,006

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

---

**NOTE F - LONG-TERM DEBT - Continued**

\$250,000 special assessment note payable to bank for the construction of infrastructure improvements on Grande Navarre Canal. The note is due in 20 quarterly payments of \$10,925 to \$14,211 plus interest at 5.46% with final payment due in 2010. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	28,227
\$900,000 special assessment note payable to bank for the construction of infrastructure improvements on Polynesian Island Canal. The note is due in 30 quarterly payments of \$26,984 to \$33,225 plus interest at 2.88% with final payment due in 2011. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	290,614
\$341,000 special assessment note payable to bank for the construction of infrastructure improvements for Duke Drive MSBU. The note is due in 32 quarterly payments of \$9,243 to \$12,225 plus interest at 3.74% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	284,506
\$600,000 special assessment note payable to bank for the construction of infrastructure improvements on Polynesian Island Canal. The note is due in 28 quarterly payments. Payments are interest only at 4.05% until 2012 then principal payments of \$36,085 to \$48,931 plus interest with final payment due in 2015. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	600,000
\$169,100 special assessment note payable to bank for the construction of infrastructure improvements for Joseph Circle MSBU. The note is due in 36 quarterly payments of \$3,636 to \$5,941 plus interest at 5.65% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	142,543
\$324,500 special assessment note payable to bank for the construction of infrastructure improvements for Central Parkway MSBU. The note is due in 36 quarterly payments of \$7,112 to \$11,146 plus interest at 5.14% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	302,752
\$1,582,132 special assessment note payable to bank for the acquisition and installation of fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 96 monthly payments of \$14,040 to \$19,186 plus interest at 3.95% with final payment due in 2016. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	1,396,099

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

---

**NOTE F - LONG-TERM DEBT - Continued**

\$770,000 special assessment note payable to bank for the acquisition and installation of fire control equipment in the Santa Rosa County Fire Protection MSBU. The note is due in 32 quarterly payments of \$20,860 to \$27,664 plus interest at 3.83% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	728,321
\$500,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Bernath Place MSBU. The note is due in 36 quarterly payments of \$11,686 to \$16,363 plus interest at 3.98% with final payment due in 2018. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	500,000
\$600,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Santa Rosa Shores MSBU. The note is due in 40 quarterly payments of \$12,432 to \$17,890 payments plus interest at 3.75% with final payment due in 2019. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	600,000
\$120,000 special assessment note payable to bank for the construction of certain infrastructure improvements in the Ski Watch Estates MSBU. The note is due in 36 quarterly payments of \$2,829 to \$3,883 including interest at 3.55% with final payment due in 2017. Annual assessments will be made against property owners sufficient to retire the maturing principal and interest.	108,496
\$3,000,000 capital improvement revenue note to bank for the jail expansion project. The note is due in 26 quarterly payments of \$111,111 and one payment of \$111,114 plus interest at 3.98% with final payment due in 2016 secured by non-ad valorem revenues.	3,000,000
<u>General government - bonds payable</u>	
\$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.	<u>1,862,500</u>
Total general government bonds and notes payable	<u>\$ 15,505,380</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE F - LONG-TERM DEBT - Continued**

Proprietary fund type - note payable

Navarre Beach

\$6,500,000 Utility System Revenue Note, Series 2006 payable to bank for the construction of certain improvements and additions to the Navarre Beach Utility System. The note is due in 15 annual payments of \$335,333 to \$555,568 plus interest at 3.767%, adjusted every 3 years, secured by non-ad valorem revenues.

5,469,623

Proprietary fund type - bonds payable

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.

1,862,500

Total proprietary fund type bonds and note payable

\$ 7,332,123

**3. Debt Service Requirements**

The annual requirements to amortize all bonds and notes outstanding at September 30, 2009 are as follows:

Governmental activities:

Year ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,622,753	\$ 597,915	\$ 3,220,668
2011	2,741,695	496,106	3,237,801
2012	2,776,331	393,560	3,169,891
2013	1,694,894	295,608	1,990,502
2014	1,531,847	230,761	1,762,608
2015-2019	3,362,163	432,967	3,795,130
2020-2024	<u>775,697</u>	<u>104,384</u>	<u>880,081</u>
	<u>\$ 15,505,380</u>	<u>\$ 2,551,301</u>	<u>\$ 18,056,681</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE F - LONG-TERM DEBT - Continued**

Business-type activities:

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30,</u>			
2010	\$ 600,385	\$ 302,480	\$ 902,865
2011	624,435	278,459	902,894
2012	651,029	253,722	904,751
2013	674,148	226,642	900,790
2014	702,370	199,013	901,383
2015-2019	2,989,166	577,585	3,566,751
2020-2024	<u>1,090,590</u>	<u>93,741</u>	<u>1,184,331</u>
	<u>\$ 7,332,123</u>	<u>\$ 1,931,642</u>	<u>\$ 9,263,765</u>

**4. Defeased Debt Outstanding**

In prior years the Board defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the Board's financial statements. At September 30, 2009, \$3.795 million of bonds are considered defeased.

**NOTE G - CONDUIT DEBT OBLIGATIONS**

The County has issued certain limited-obligation debt instruments, including: 1) industrial development revenue bonds 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; and 2) certain municipal service benefit unit revenue notes to finance the acquisition, construction, reconstruction and equipping of capital improvements within the municipal service benefit unit. The debt instruments are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Board, the State nor any political subdivision thereof is obligated in any manner for repayment of the debt instruments. Accordingly, the debt instruments are not reported as liabilities in the accompanying financial statements.

Debt issues related to conduit financings outstanding at September 30, 2009 are as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 9/30/2009</u>
Baptist Hospital, 2003	8/21/2003	10/1/2021	\$57,905,000	\$57,905,000
Holley Navarre Water System, 2004	6/2/2004	5/1/2024	4,145,000	3,340,000
Pace Volunteer Fire Department	4/16/2007	3/8/2017	1,169,000	1,131,290
Navarre Beach Volunteer Fire Department	4/25/2007	4/25/2017	<u>300,000</u>	<u>243,198</u>
Total			<u>\$63,519,000</u>	<u>\$62,619,488</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

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

State and federal laws and regulations require the Board to place a final cover on its landfill sites when the landfill stops accepting waste and to perform certain maintenance and monitoring functions at sites for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date that a landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$9.2 million reported as landfill closure and postclosure care liability (current and noncurrent) at September 30, 2009, represents the cumulative amount reported to date based on the following percentage usage of the estimated capacity of each of the Board's landfills:

Central Class I Landfill	62%
Central Class III Landfill	26%
Central Class III Landfill	Closed 10/98
Holley Landfill	Closed 06/94
Northwest Landfill	Closed 02/91

The estimated cost of postclosure care for the Central Class III, Holley and Northwest landfills have been recognized in prior years with any changes in estimates being recorded in the current year. The Board will recognize the remaining estimated cost of closure and postclosure care for the Central Class I and Class III landfills in the amount of \$7.4 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 2009. The estimated remaining lives of the Central Class I and Class III landfills are 25 and 38 years, respectively. Cost of closure and life estimates are based on the areas currently in use, and not on potential areas of expansion. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Board is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. At September 30, 2009, the Board held investments of \$3,564,459 to cover the escrow requirement of \$3,542,445. These investments are reported as restricted assets in these financial statements. The Board expects that future inflation costs will be paid from interest earnings on these restricted investments and from charges to future landfill users or future tax revenue.

**NOTE I - COMMITMENTS AND CONTINGENCIES**

**1. Retirement Plan**

**Participation** - Employees of the Board participate in the Florida Retirement System, a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is compulsory for full-time and part-time employees working in regularly established positions. Elected officials may elect not to participate in the system. Eligible employees may elect to participate in the Deferred Retirement Option Program (DROP), deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

**NOTE I - COMMITMENTS AND CONTINGENCIES - Continued**

**Benefit Provisions** – The Florida retirement system offers two retirement plans – the FRS Pension Plan and the FRS Investment Plan. An employee may participate in only one of the plans.

The FRS Pension Plan is a defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Normal retirement benefits are available to employees who retire at age 62 with 6 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

The FRS Investment Plan is a defined contribution plan in which participants are vested after one year of service. The employer makes contributions each month based on a percentage of the employee's gross salary and membership class. The contribution percentage is the same whether participating in the Pension Plan or Investment Plan. Members in the Investment Plan decide how their funds are allocated between various investment accounts and the funds are portable upon termination if the participant is vested. Members in the investment plan are not eligible for participation in the Deferred Retirement Option Program (DROP).

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.

**Contributions** - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2009, the Board contributed an average of 9.85% of each qualified regular employee's gross salary, 16.53% percent of the elected official's salary and 10.91% for each DROP participant. The Board's contributions to the Pension Plan, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for the year. The Board's contributions to the Investment Plan were equal to the legislatively mandated contribution rates, which are equal to a percentage of the members' gross monthly salary based on membership class. Contributions to both plans totaled \$1,639,475, \$1,626,925 and \$1,712,252 for the years ended September 30, 2009, 2008, and 2007, respectively.

**Financial Report of the Plan** - The Florida Retirement System issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

**2. Litigation**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

---

**NOTE I - COMMITMENTS AND CONTINGENCIES - Continued**

**3. Federal and State Grants**

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

**NOTE J - RESERVES**

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

**General Fund:**

Reserve for inventory	\$ 109,161
Reserve for communications	1,102,574
Reserve for animal services education	43,581
Reserve for boating improvements	<u>493,864</u>
	1,749,180

**Road and Bridge Fund:**

Reserve for Navarre Beach Bridge maintenance	4,004,379
Reserve for inventory	321,615
Reserve for long-term intergovernmental receivable	<u>76,997</u>
	4,402,991

**Nonmajor Governmental Funds:**

Reserve for gas and oil preservation	3,551,667
Reserve for crime prevention	192,881
Reserve for domestic violence	77,624
Reserve for forfeited property	86,104
Reserve for law library	28,054
Reserve for court innovations	93,837
Reserve for hurricane housing recovery	614
Reserve for tourist development	<u>1,801,967</u>
	<u>5,832,748</u>

**Total Governmental Funds** \$ 11,984,919

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

**NOTE K - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986 the Board established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the Board is self-insured with respect to the following exposures:

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

The Board is covered by outside insurance for the following exposures:

- Boats
- Employee Fidelity
- Buildings and Contents, \$10,000 deductible
- General Liability, \$25,000 deductible
- Public Officials' Liability, \$25,000 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 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 \$3,447,214 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 \$1,557,734 at September 30, 2009.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE K - RISK MANAGEMENT - Continued**

Changes in the Fund's claims liability amount in fiscal years 2008 and 2009 were as follows:

	Beginning-of- Fiscal-Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year-End</u>
2007 - 2008	\$ 2,730,499	\$ 2,537,456	\$ 1,840,693	\$ 3,427,262
2008 - 2009	\$ 3,427,262	\$ 2,813,056	\$ 2,793,104	\$ 3,447,214

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

Current claims payable	\$ 1,889,480
Current claims – structured settlements	<u>42,975</u>
Total claims payable, current	1,932,455
Long-term claims – structured settlements	<u>1,514,759</u>
Total claims payable	<u>\$ 3,447,214</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS**

Effective for the 2009 fiscal year, the County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits provided by the County. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$12,695,000 at October 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

**Plan Description** – Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the County and eligible dependents, may continue to participate in the County’s purchased health and hospitalization insurance coverage (the Plan). The Plan is a single-employer plan. The County subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The County also provides an insurance subsidy for employees with at least 10 years (8 years elected) creditable service. The subsidy pays \$3 per year of service limited to the individual’s premium payment up to a maximum of \$90 per year. No stand-alone financial report is issued.

**Funding Policy** – The County has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2009 fiscal year, 148 retirees and eligible dependents received postemployment health care benefits. The County provided required contributions of \$305,718 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees insurance net of retiree contributions totaling \$465,133. Required contributions are based on projected pay-as-you-go financing which differ from the Annual Required Contribution.

**Annual OPEB Cost and Net OPEB Obligation** – The following table shows the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation:

Description	Health Insurance
Normal Cost (service cost for one year)	\$ 1,043,000
Amortization of Unfunded Actuarial Accrued Liability	<u>734,000</u>
Annual Required Contribution	1,777,000
Interest on Net OPEB Obligation	--
Adjustment to Annual Required Contribution	<u>--</u>
Annual OPEB Cost (expense)	1,777,000
Contribution Towards the OPEB Cost	<u>(305,718)</u>
Increase in Net OPEB Obligation	1,471,282
Net OPEB Obligation, Beginning of Year	--
Net OPEB Obligation, End of Year	<u><u>\$ 1,471,282</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

**NOTE L – POST EMPLOYMENT HEALTH CARE BENEFITS - Continued**

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2009 (first year of implementation), was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB</u>	<u>Percentage Of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning balance, October 1, 2008	\$ --		\$ --
2008-2009	1,777,000	17.2%	1,471,282

**Funded Status and Funding Progress** – As of October 1, 2008, the date of the actuarial valuation, the actuarial accrued liability was \$12,695,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$12,695,000. Amortization of the accrued liability for the year ended September 30, 2009 was \$734,000.

As of September 30, 2009, the actuarial accrued liability for benefits was \$11,961,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$11,961,000. The covered payroll (annual payroll of active participating employees) was \$46,801,081 for the 2008-2009 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26%.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The County’s initial OPEB actuarial valuation as of October 1, 2008, used the projected unit credit actuarial cost method to estimate both the unfunded actuarial liability as of September 30, 2009 and the estimate the County’s 2008-2009 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4% rate of return on invested assets which is the County’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also include a payroll growth of 3% per year, and an annual healthcare cost trend rate of 9.5% initially for the 08-09 fiscal year, reduced by 1 percent per year to an ultimate rate of 5.5% after 5 years. The unfunded actuarial accrued liability is being amortized as both a level dollar and a level percentage of projected payroll growth. The remaining amortization period at September 30, 2009 is 29 years.

The required schedule of funding progress, immediately following the notes, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2009**

---

---

**NOTE M - COMPLIANCE AND ACCOUNTABILITY**

**Accumulated Deficits**

The Disaster Fund has a deficit in fund balance due to the costs associated with Hurricanes Ivan, Dennis and Katrina. Revenues from Federal and State sources covered 87.5% to 95% of allowable costs. Disallowed costs and the County's local match portion have not been fully funded from local sources.

**REQUIRED SUPPLEMENTAL INFORMATION**

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

**Year ended September 30, 2009**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 47,437,410	\$ 47,437,410	\$ 47,366,793
Permits, fees and special assessments	1,729,000	1,729,000	1,073,398
Intergovernmental	9,789,820	10,445,105	10,135,972
Charges for services	2,566,270	2,654,833	5,458,376
Fines and forfeits	307,620	307,620	255,347
Miscellaneous	1,852,500	1,901,731	1,812,232
<b>Total revenues</b>	<b>63,682,620</b>	<b>64,475,699</b>	<b>66,102,118</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	19,397,200	20,880,019	19,790,675
Public safety	35,117,265	35,224,643	35,060,541
Physical environment	1,309,000	1,309,000	1,197,679
Transportation	993,390	993,390	976,180
Economic environment	198,870	198,870	172,218
Human services	3,924,790	3,924,790	4,081,273
Culture and recreation	2,830,555	3,137,375	2,917,275
Reserve for contingencies	--	32,802	--
<b>Total expenditures</b>	<b>63,771,070</b>	<b>65,700,889</b>	<b>64,195,841</b>
Excess (deficiency) of revenues over expenditures	(88,450)	(1,225,190)	1,906,277
<b>Other financing sources (uses)</b>			
Transfers in	16,500	282,558	2,470,245
Transfers out	(345,115)	(2,883,585)	(2,883,585)
<b>Total other financing sources (uses)</b>	<b>(328,615)</b>	<b>(2,601,027)</b>	<b>(413,340)</b>
<b>Net change in fund balances</b>	<b>(417,065)</b>	<b>(3,826,217)</b>	<b>1,492,937</b>
Fund balance, beginning of year	1,857,325	5,001,207	13,652,047
Change in reserve for inventory	--	--	43,838
<b>Fund balance, end of year</b>	<b>\$ 1,440,260</b>	<b>\$ 1,174,990</b>	<b>\$ 15,188,822</b>

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

**Year ended September 30, 2009**

	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 8,213,580	\$ 8,213,580	\$ 8,124,004
Intergovernmental	2,991,550	5,171,722	4,192,157
Charges for services	--	30,000	1,444,338
Fines and forfeits	--	--	39,777
Miscellaneous	366,420	366,420	199,837
Total revenues	11,571,550	13,781,722	14,000,113
Expenditures			
Current			
Physical environment	--	530,000	359,440
Transportation	11,320,640	16,259,025	14,080,226
Reserve for contingencies	205,156	81,431	--
Total expenditures	11,525,796	16,870,456	14,439,666
Excess (deficiency) of revenues over expenditures	45,754	(3,088,734)	(439,553)
Other financing sources (uses)			
Transfers in	46,236	1,626,820	1,621,820
Transfers out	--	(300,984)	(300,984)
Total other financing sources (uses)	46,236	1,325,836	1,320,836
Net change in fund balances	91,990	(1,762,898)	881,283
Fund balance, beginning of year	--	1,854,888	10,148,972
Change in reserve for inventory	--	--	41,738
Fund balance, end of year	\$ 91,990	\$ 91,990	\$ 11,071,993

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

**Year ended September 30, 2009**

	Original Budget	Final Budget	Actual
Revenues			
Permits, fees and special assessments	\$ 5,130,000	\$ 5,130,000	\$ 5,807,671
Miscellaneous	--	--	17,721
Total revenues	5,130,000	5,130,000	5,825,392
Expenditures			
Current	--	--	--
Total expenditures	--	--	--
Excess (deficiency) of revenues over expenditures	5,130,000	5,130,000	5,825,392
Other financing sources (uses)			
Transfers out	(2,052,000)	(4,609,921)	(4,609,921)
Total other financing sources (uses)	(2,052,000)	(4,609,921)	(4,609,921)
Net change in fund balances	3,078,000	520,079	1,215,471
Fund balance, beginning of year	--	8,664,518	8,623,068
Fund balance, end of year	\$ 3,078,000	\$ 9,184,597	\$ 9,838,539

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

**Year ended September 30, 2009**

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ --	\$ 1,587,000
Miscellaneous	--	--	2,353
Total revenues	--	--	1,589,353
Expenditures			
Current	--	--	--
Total expenditures	--	--	--
Excess (deficiency) of revenues over expenditures	--	--	1,589,353
Net change in fund balances	--	--	1,589,353
Fund balance, beginning of year	--	--	(3,003,779)
Fund balance, end of year	\$ --	\$ --	\$ (1,414,426)

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

**Year ended September 30, 2009**

	Original Budget	Final Budget	Actual
Revenues			
Intergovernmental	\$ --	\$ 9,852,397	\$ 6,342,510
Miscellaneous	--	--	12,068
Total revenues	--	9,852,397	6,354,578
Expenditures			
Capital outlay	--	17,556,668	11,415,074
Debt service	--	15,000	15,000
Total expenditures	--	17,571,668	11,430,074
Excess (deficiency) of revenues over expenditures	--	(7,719,271)	(5,075,496)
Other financing sources (uses)			
Transfers in	--	3,505,036	3,505,036
Transfers out	--	(15,400)	(15,400)
Proceeds from new debt	--	4,000,000	3,000,000
Total other financing sources (uses)	--	7,489,636	6,489,636
Net change in fund balances	--	(229,635)	1,414,140
Fund balance, beginning of year	--	1,638,704	1,638,704
Fund balance, end of year	\$ --	\$ 1,409,069	\$ 3,052,844

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

**SCHEDULE OF FUNDING PROGRESS FOR  
OTHER POST EMPLOYMENT BENEFITS**

**Year ended September 30, 2009**

<u>Schedule of Funding Progress</u>	Actuarial Valuation Date 10/1/2008
1. Current retirees liability	\$ 10,436,000
2. Active employees	2,259,000
3. Actuarial Accrued Liability	12,695,000
4. Actuarial Value of Assets	--
5. Unfunded Actuarial Accrued Liability	12,695,000
6. Funded Ratio (4. divided by 3.)	0%
7. Annual Covered Payroll	\$ 46,801,081
8. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	27%
<u>Schedule of Employer Contributions</u>	Fiscal Year Ended 9/30/09

This is the first year that the ARC calculation has been completed.

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

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**September 30, 2009**

---

**BUDGETARY INFORMATION**

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

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

A budget was not adopted for the Disaster fund for the year ending September 30, 2009. This fund is used to account for the revenues and expenditures relating to significant events such as hurricanes.

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

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

We have audited the special-purpose financial statements (hereinafter referred to as "financial statements") of each major fund and the aggregate remaining fund information of the Board of County Commissioners of Santa Rosa County, Florida, (hereinafter referred to as "Board"), as of and for the year ended September 30, 2009, which collectively comprise the Board's financial statements and have issued our report thereon dated March 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

We consider the deficiency described below to be a significant deficiency in internal control over financial reporting:

#### 2009-01 – Year End Financial Reporting Process

##### Criteria or specific requirement

The County should have adequate accounting, reconciliation, and review procedures in place to prepare financial statements in compliance with GAAP.

##### Condition

During our test work, audit adjustments were made to certain accounts (accounts receivable, due from other units, and accounts payable) to accurately reflect balances at year-end. The nature of these accounts do not demand frequent accounting entries or adjustments during the year, but require some level of periodic review and analysis to correctly reconcile the accounts in preparation of the year-end financial statements.

##### Context

Several adjustments were made as a result of the audit.

##### Effect

Year-end financial statements may not be in compliance with GAAP.

##### Cause

Certain accounts receivable and due from other governmental units balances were not reviewed and adjusted to the proper balances at year end. Also certain accounts payable balances were not recorded at year-end.

##### Recommendation

We encourage the County to take special precaution to ensure that all accounts are reviewed, reconciled and appropriately adjusted as needed through the year.

##### View of responsible officials and planned corrective action

The County will make sure that all accounts are reviewed, reconciled and appropriately adjusted as needed through the year.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board's response to the finding identified in our audit is included above. We did not audit the Board's response and accordingly, we express no opinion on it.

As required by the provisions of Chapter 10.550, Rules of the Auditor General, we have issued a separate management letter dated March 30, 2010, which should be considered in assessing the results of our audit.

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

*O'Sullivan Creel, LLP*

March 30, 2010

## 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 special-purpose financial statements (hereinafter referred to as “financial statements”) of each major fund and the aggregate remaining fund information of the Santa Rosa County, Florida, Board of County Commissioners, (hereinafter referred to as “Board”), as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 30, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have also issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 30, 2010, should be considered in conjunction with this management letter.

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 government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554 (1) (i) 1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Findings 2008-4 and 2008-5 included in Attachment A have not been resolved.

As required by the Rules of the Auditor General (Section 10.554 (1) (i) 2.), we determined that the Board was not in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. See Attachment A.

The Rules of the Auditor General (Section 10.554 (1) (i) 3.) require that we comment as to whether or not there were any recommendations made to improve the Board's financial management. We are submitting for consideration the recommendations described in Attachment A.

The Rules of Auditor General (Section 10.554 (1) (i) 4.) require disclosure in the management letter of violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. No items were identified which are required to be disclosed.

The Rules of the Auditor General (Section 10.554 (1) (i) 5.) permit disclosure in the management letter based on professional judgment of matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors, including the following: violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and control deficiencies that are not significant deficiencies. We are submitting for consideration the recommendations described in Attachment A.

The Board's response to the recommendations described in Attachment A is included in the accompanying management's response to the management letter. We did not audit the Board's response and accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties

*O'Sullivan Creel, LLP*

March 30, 2009

**Annual Audit Report  
Board of County Commissioners  
Santa Rosa County, Florida  
CURRENT YEAR RECOMMENDATIONS (Attachment A)  
September 30, 2009**

---

**2008-4 Landfill – Accounts Receivable and Deposits**

We noted some deterioration in the quality of the Landfill Fund's accounts receivables. In that regard, the following observations were made:

- We noted that the Board's Landfill Fund does not have an established policy for recording an allowance for uncollectible accounts. We recommend the Board establish an appropriate policy and management monitor the receivables on an ongoing basis and record reserves against accounts which are potentially uncollectible.
- It is the current practice of the Board to prepare invoices for landfill charges at the beginning of the month for billings earned the previous month. Also, when invoices are sent to customers they have 45 days to pay. Therefore, it is possible for charges to be up to two months old before they are considered delinquent. We recommend the Board review its current policies regarding the billing cycle for landfill charges.
- We noted per Board Resolution No. 87-34 that a user of the landfill may establish a payment account by providing a security deposit in an amount sufficient to pay the estimated charges for a period of two months. The amount of the security deposit is to be established by the director of the landfill department. In our testing, we noted that the deposits were being established based upon the customer's estimate of monthly charges instead of an amount established by the director. We recommend that the Board follow its adopted resolution No. 87-34 regarding the establishment of payment accounts.
- Our audit procedures identified landfill customers whose surety bond which served as their security deposit had expired. Under Board Resolution No. 01-33 the Board returns deposits or releases the bond or letter of credit upon a customer making timely and complete payments for two years. Several of the customers with expired security deposits are currently delinquent in their payments. We recommend the Board examine its policy for allowing security deposits to expire.

**Annual Audit Report  
Board of County Commissioners  
Santa Rosa County, Florida  
CURRENT YEAR RECOMMENDATIONS (Attachment A)  
September 30, 2009**

---

**2008-5 Navarre Beach – Residential and Commercial Leases**

Our audit procedures identified several items in regards to the recording of residential and commercial leases in the general fund:

- Residential leaseholders who rent their property are required to pay to the Board either 5% of their rental income or a set dollar amount as specified in their lease agreement with the Board. The Board does not have written procedures for ensuring that all residential leaseholders pay the required fees on the rental of their residential property. We recommend that the Board develop written procedures to ensure that fees due from residential leaseholders are properly recorded and collected.
  
- The Board currently has leases with various commercial entities on Navarre Beach. Lease fees are generally based on a certain percentage of gross sales or gross receipts as outlined in the respective lease agreements. The Board does not have written procedures for ensuring that the commercial entities pay the required lease fees as stipulated in the individual lease agreements. Also, we were informed that procedures are performed by the Board's internal auditor but no documentation is maintained of the procedures performed.

We recommend that the Board develop written procedures to ensure that fees due from commercial leaseholders are properly recorded and collected and that documentation of collection efforts is maintained.

- Our audit procedures identified an instance where the previous leaseholder of a residential property was billed for and paid the lease fee. This previous leaseholder appears to be due a refund and the current leaseholder should be billed for the lease fee. We recommend that Board develop written controls to ensure that the proper individual is billed for the lease fee.

**Annual Audit Report  
Board of County Commissioners  
Santa Rosa County, Florida  
CURRENT YEAR RECOMMENDATIONS (Attachment A)  
September 30, 2009**

---

**2009-2 Article V Expenditures**

Annually the Board must submit a report to the Florida Department of Financial Services certifying its compliance with Sections 29.008 and 29.0085, Florida Statutes as related to county funded court-related functions. In our examination of the Board's annual filing, we noted certain current year expenditures did not increase by 1.5 percent over the prior year's amounts, as required by Section 29.008 (4), Florida Statutes. We recommend the Board monitor its expenditures to ensure the requirements of section 29.008 (4) are met.

**2009-3 Investment Policy**

Pursuant to Florida Statutes Section 218.415, the Board adopted an investment policy which outlines the Board's investment responsibilities, objectives, and policies. The Board's policy allows only a total of 80% of the total investment portfolio to be invested in the Florida Local Government Investment Trust. At September 30, 2009, 100% of the Board's investments were held in the Florida Local Government Investment Trust. We recommend the Board monitor its investments to ensure its maximum percentages of authorized investments are complied with or either change the investment policy as necessary to correspond with changes in the Board's investment risk tolerance.

**Annual Audit Report  
Board of County Commissioners  
Santa Rosa County, Florida  
MANAGEMENT'S RESPONSE TO MANAGEMENT LETTER  
September 30, 2009**

---

**2008-4 Landfill – Accounts Receivable and Deposits**

The Board agrees with the findings and recommendations and will make the necessary changes to policies and take corrective action as needed.

**2008-5 Navarre Beach – Residential and Commercial Leases**

The Board will review the findings to determine the causes and the corrective actions that are required.

**2009-2 Article V Expenditures**

The Board agrees with the finding and recommendation and will monitor its expenditures to ensure the requirements of section 29.008 (4) are met.

**2009-3 Investment Policy**

The Board agrees with the finding and recommendation and will review the investment policy to determine what changes are required.